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SRI LANKA

The good tea crop has its problems

Page 24

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World News

Business Summary

London talks revive hopes of progress over Ulster

Stalled talks on Northern Ireland's political future could resume following a meeting in London between British prime minister John Major and unionist and nationalist leaders from the province. The Northern Ireland Council for Peace and Justice (NIC) has agreed to discuss how to overcome obstacles to formal talks.

After the meeting - called to discuss Ulster's security problems - the prime minister's office hailed the outcome as a "modest but significant breakthrough." Page 5

Irish cabinet changes
Ireland's new prime minister, Albert Reynolds, replaced eight of his cabinet members on Monday. The changes moved three others. Page 2

Yugoslav troops breached
Three Serb irregulars and a Croat militiaman died in the worst outbreak of fighting in Croatia since the Yugoslav ceasefire began five weeks ago. Page 2

Harbin sweeps caucuses
Senator Tom Harkin won 76 per cent of the votes in Monday's Democratic party caucuses in his home state of Iowa, but his campaign seemed unlikely to get much impetus from the victory. Page 4

Pakistanis march
Pakistan's army stopped Moslem militants crossing the ceasefire line in the state of Kashmir, which is disputed with India. Page 4

Ukraine appeals to UN
Ukraine appealed to the United Nations for the suspension of Russian rights over overseas property of the former Soviet Union. It said millions of dollars belonging to Ukraine were frozen in Moscow banks. Ukraine wants problems sorted. Page 2

Refugee flow continues
More than 70,000 Bosnian Moslems are sheltering in Bangladesh after fleeing Islamic persecution by the army of mainly Buddhist Burma. Page 2

Tyson convicted of rape
Former heavyweight boxing champion Mike Tyson, 26, was found guilty by an Indianapolis jury of raping a beauty queen. He could face a long jail sentence when he is sentenced next month. Page 2

Sikh leaders held
Leaders of an influential Sikh religious organisation were arrested after they urged voters to boycott elections due to be held in the Indian state of Punjab next week. Page 2

Vote on tobacco adverts
The European Parliament in Strasbourg voted narrowly to back a ban on tobacco advertising in the EC. The final say on the proposal rests with national governments. Germany, the Netherlands, Denmark, Greece and Britain oppose the scheme. Page 2

Europe's jobless
More than 12m people were unemployed in the European Community last year, the community's statistics office said - 680,000 thousand more than in 1990. More than 770,000 of the newly unemployed came from Britain. Page 2

Briton jailed for fraud
Peter Clowes was jailed for 10 years in England for perpetrating one of the biggest frauds in UK history. He stole more than £14m (£5.3m) from investors who thought their money was being placed in government stocks. Page 7

Mr chairman for trial
Asif Nadir, former chairman of fruit to electronics company Polly Peck, was committed for trial at London's Old Bailey court on 68 charges of theft and three of false accounting involving almost £100m (£41m). Page 20

Belgian bank starts talks on cross-border insurance

Banque Bruxelles Lambert, Belgium's second largest bank, is negotiating a deal with two shareholders to distribute insurance products through its branch network. This could squeeze out a counter-proposal from International Nederland Groep (ING), the Dutch banking and insurance group.

ING, which owns 5.9 per cent of BBL through a Belgian subsidiary, was believed last year to be on the point of launching a paper-and-cash bid for BBL. Page 13

ERICSSON, Swedish telecommunications group, said weak demand and restructuring provisions had pushed pre-tax profits for 1991 down by two-thirds to SKr1.5bn (£274m). It warned that demand for telecom products would continue to be "very weak." Page 13

LOYD'S A group of Names - individuals whose assets support underwriting at Lloyd's of London - won an agreement to settle worth £116m (£210m). The decision will raise hopes for other Lloyd's Names involved in legal action. Page 12

BRITISH Airways surprised the City of London by reporting pre-tax profits of £100m (£181m) for its third quarter, against £20m the year before. Page 13

JAVIER Pérez de Cuellar, former UN secretary-general, is to join the boards of the US and European banks controlled by Edward S. Swiss-based international banker. Page 12

UK ECONOMY: There was no sign of an imminent cut in British interest rates despite speculation about a reduction in financial markets, a Bank of England admission that the economy is stuck in recession and a sharp fall in inflationary pressures. Page 12 and Lex

PHILIPPINES: The IMF may be about to approve resumption of a standby facility in support of Manila's economic stabilisation programme. Page 4

SNC, Canada's biggest engineering group, with Japanese, German and Thai partners, is to proceed with the \$2.5bn Bangkok Skytrain transport system. Page 4

REI: The US government is delaying the reimbursement of \$350m in export credit guarantees on loans made to Iraq by the Atlanta branch of Italy's Banca Nazionale del Lavoro. Page 4

SCANDINAVIAN Airlines System bought 51 per cent of Linjeflyg, Swedish domestic airline, to consolidate its position in the Nordic market. The deal involved SAS reacquiring the half-share in Linjeflyg that it sold only 17 months ago. Page 14

KUWAIT is going ahead with construction of a \$1.8bn power plant, the largest project since the Gulf war ended. Mitsubishi of Japan, the lead contractor, is likely to supply boilers and turbines worth about \$1bn. Page 4

AMSTRAD, UK electronics and computer group, suffered its first-ever pre-tax loss - of £15.1m (£27m) in the six months to end-December, against a profit of £40.08m previously. Page 14

SRI LANKA'S has been pledged \$825m in aid for 1992 by government donors and the World Bank. Page 4

MYTSU, Japanese trading company, has joined forces with investors, including a fund controlled by the Prizker family of Chicago, to invest an initial \$100m in Savoy Pictures, a new film distribution company. Page 16

CHILEAN FRUIT growers and exporters are suing the US government for \$212m in compensation for the losses they suffered during a three-week trade embargo in 1989. Page 24

Germany calls for redistribution of European financial burden

Row looms over EC budget

By David Gardner in Strasbourg

THE European Commission last night agreed on proposals to raise Community budget revenue by a third over the next five years. Officials fear the package could lead to a re-opening of budgetary squabbles between the UK and other EC members.

If member states approve the plan, several countries undergoing fiscal strain will be asked to contribute significantly more than they do now, and there are clear signs that some will fight hard to shift part of the burden.

Germany, the EC's main paymaster even while it is striving to reduce unemployment and pay for its large east European aid programme, has already asked the Commission to re-examine the budget rebate the UK has received since 1985.

A senior Commission official said yesterday, however, that this would not happen until after the UK election, which must be held by July.

The Financial Times has obtained normally confidential details on the net contributions made by EC governments. These illustrate why some countries are likely to demand revisions to the budget arrangements.

Germany this year is contributing a net Ecu5bn to the EC's Ecu65bn (£86bn) budget. The UK - the second largest net contributor - would contribute just over Ecu5bn but would receive a more than Ecu2bn "abatement". This was originally won by Mrs Margaret Thatcher, the former UK prime minister, because Britain gets proportionally less than its comparable partners from the farm budget, which still accounts for 54 per cent of EC spending.

While contributions from both countries, and from France, the other main net contributor, are set to rise anyway, Germany wants a redistribution of financial responsibility. "It is pretty obvious that

1992 EC Budget (in Ecu bn)	
	After rebate
Net contributors	
Germany	5.0
UK	3.0
France	1.5
Netherlands	0.1
Net recipients	
Denmark	0.5
Italy	0.5
Luxembourg	0.7
Portugal	1.1
Belgium	1.8
Ireland	2.4
Spain	2.8
Greece	3.9

we have to talk about the UK rebate again," a German official said.

Belgium and Italy, two countries intent on entering the currency union in the first

were later this decade, will be particularly hard hit. Belgium, like Denmark and the Netherlands, usually fares better under the EC budget than its high per capita income status would justify. Italy's position fluctuates; last year it took Ecu50m net out of the budget but in 1991 it contributed a net Ecu400m.

But both Belgium and Italy face uphill struggles to reduce their public indebtedness and budget deficits in order to meet the stiff conditions to enter the economic and monetary union (EMU) which is due by 1999 at the latest.

The Commission, concerned to contain the budgetary squabbles it fears will break out, insisted yesterday that the overall benefit of EC membership can not be quantified simply in budgetary contributions.

"French trade with Spain has increased 60 per cent since it joined the Community; where is that in the net balance?" an official said.

The 1993-97 financial plan, which Mr Jacques Delors, Commission president, is due to present to the European Parliament today, calls on the richer countries to make a much greater effort to help the poorer south and periphery of the Community. It aims to double fiscal transfers to Spain, Ireland, Portugal and Greece, in order to raise their income and help them prepare for EMU.

Under the Commission plan, unanimously approved last night, EC revenue would rise from Ecu65bn this year to Ecu85bn in 1997, at 1992 prices. Of this, Ecu25bn would go to help lagging and industrially declining regions catch up; nearly Ecu30bn would be spent on agriculture; and more than Ecu30bn would be earmarked for external aid.

Cost of help for troubled industries would amount to little more than Ecu4bn.

UK faces court action, Page 2

UK fraud reform call as Guinness trial collapses

By Raymond Hughes and Alison Smith in London

THE SECOND trial arising from a share support operation mounted by Guinness, the international drinks company, during its takeover of Distillers Group in 1986 collapsed yesterday, with a call from the judge for a radical solution to the problems of long and complex fraud cases in Britain.

In the House of Commons, the trial's collapse brought concern from all parties about the costs of the case, and immediate calls from the Labour opposition for a review of the way in which serious fraud cases are handled.

Mr Justice Henry yesterday discharged the jury because of serious concern over the mental and emotional health of Mr Roger Seelig, a former corporate finance director at Morgan Grenfell, the merchant bank.

It would not be right in the circumstances, he added, to continue the trial against Lord Spens, former corporate finance managing director at Henry Ansbacher, the merchant bank. Mr Seelig and Lord Spens denied fraud and false accounting charges.

Legal background PAGE 6
Clowes chief jailed PAGE 7
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The case for non-jury fraud trials PAGE 11

The judge said the Serious Fraud Office had a week in which to consider its position. He said: "Once again this case has thrown up the problems of long and complex fraud cases in Britain."

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It would not be right in the circumstances, he added, to continue the trial against Lord Spens, former corporate finance managing director at Henry Ansbacher, the merchant bank. Mr Seelig and Lord Spens denied fraud and false accounting charges.

Prosecutions arising from three UK financial scandals of Continued on Page 12



Before the collapse: Roger Seelig (right) arriving for yesterday's session of the Guinness trial with George Devlin, who has been assisting Mr Seelig at Southwark Crown Court

Fed confident of recovery but still ready to cut rates

By Michael Prouse in Washington

THE Federal Reserve believes it has done enough to revive the stagnant US economy but stands ready to cut interest rates again if growth fails to materialise, Mr Alan Greenspan, Fed chairman, indicated yesterday.

He told bankers in San Antonio, Texas, that the central bank would "if necessary" move to an increased degree of monetary ease. However, he said he believed the monetary stimulus already in the pipeline would prove sufficient.

On Wall Street, many analysts expect a small cut in short-term market rates - now 4 per cent - within the next week or so. Many traders were surprised that the Fed failed to respond last week to much worse than expected employment figures for January. Non-farm payrolls fell 91,000 compared with an expected gain of 30,000.

The Fed, however, is thought to believe that last Friday's employment figures, which fluctuate markedly on a

monthly basis, overstated the underlying weakness in the economy. It is sticking to its view that the economy is flat rather than declining.

Fed officials are also encouraged by a revival of monetary growth in recent weeks, although some of the rebound reflects faulty seasonal adjustments.

In recent testimony, Mr Greenspan rejected claims that monetary policy was ineffective. He believes the central economic problem is the weakness of personal and corporate balance sheets caused by an excessive build-up of debt in the 1980s.

Lower interest rates are providing direct relief by reducing debt service costs. They have also spread higher equity and bond prices and thus encouraged the replacement of short-term debt by equity and bond issues.

However, because the US has not faced balance sheet pressures of this kind for several generations, it is unclear how

long the restructuring process will take. On several occasions, however, Mr Greenspan has indicated his belief that the bulk of the adjustment is probably complete. The Fed continues to expect a mild recovery in the spring.

In speeches Mr Greenspan has said public anxiety about the economy is excessive in the light of hard data, which continues to be much less discouraging than in the recessions of 1973-75 and 1981-82. The unemployment rate of 7.1 per cent, for example, is far below its previous peaks.

Fed officials believe the competitiveness of US industry has actually risen sharply in recent years. The turning point was the restructuring of manufacturing industry prompted by the strong dollar in the mid-1980s. Since then, US manufacturers have benefited from a combination of lower costs and rapid depreciation of the dollar.

UK interest rates, Page 12

ENGLAND'S INVESTMENT IN WHITTINGDALE PAYS HUGE DIVIDENDS

WHITTINGDALE - THE OFFICIAL COACHING SPONSOR OF THE ENGLAND CRICKET SQUAD

WHITTINGDALE

GILT-EDGED EXPERTS

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UK companies may have to pay when they poach trained staff

UK companies which poach trained staff may soon have to pay compensation. Employment secretary Michael Howard (left) says companies can already bind staff until training costs are recouped, but is interested in transfer fees. Page 8

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MARKETS

STERLING	DOLLAR	STOCK INDICES
New York 100: 1.8035	New York 100: 2,537.1 (-1.3)	FT-SE 100: 2,537.1 (-1.3)
London: 1.8015 (1.826)	FT-SE 100: 2,537.1 (-1.3)	FT-A All-Share: 1,215.47 (+0.04%)
DME 995 (2.5575)	FT-SE 100: 2,537.1 (-1.3)	FT-SE Eurotrack 100: 1,137.74 (+0.06)
FF 9.7675 (9.7775)	FT-SE 100: 2,537.1 (-1.3)	New York 100: 2,537.1 (-1.3)
SP 2.565 (2.5525)	FT-SE 100: 2,537.1 (-1.3)	DJ Ind. Av. 2,537.1 (-1.3)
Y228.5 (231.25)	FT-SE 100: 2,537.1 (-1.3)	S&P 500: 413.27 (-0.50)
£ Index 91.1 (91.4)	FT-SE 100: 2,537.1 (-1.3)	Tokyo Nikkei closed
GOLD	FT-SE 100: 2,537.1 (-1.3)	LONDON MONEY
New York Comex Feb 357.5 (357.4)	FT-SE 100: 2,537.1 (-1.3)	3-month interbank: 10 1/4% (10 1/2%)
London: 356.0 (355.2)	FT-SE 100: 2,537.1 (-1.3)	Libor 12m gilt future: Mar 92 97 1/2 (Mar 92 97 1/2)
\$ Index 82.8 (82.2)	FT-SE 100: 2,537.1 (-1.3)	
US 100: 82.8 (82.2)	FT-SE 100: 2,537.1 (-1.3)	
Fed Funds: 3 1/4%	FT-SE 100: 2,537.1 (-1.3)	
9-mo Treasury Bill: 3.848%	FT-SE 100: 2,537.1 (-1.3)	
Long Bond: 10 1/2%	FT-SE 100: 2,537.1 (-1.3)	
Chief price changes yesterday: Page 13	FT-SE 100: 2,537.1 (-1.3)	

EUROPEAN NEWS

UK may face court action if it continues EC passport checks

By David Buchanan in Brussels

THE European Commission is set to warn Britain soon that it faces court action unless it ceases checks on travellers arriving from other EC states.

If the warning is issued by June, it could coincide with a sensitive UK general election campaign. If it comes after June the UK will have taken over the EC presidency.

The Commission's work programme for 1992, which will be presented to the European Parliament today states the warning will be made "shortly".

Mr Martin Bangemann, the internal market commissioner, said this week he will have ready next month the legal opinion in favour of doing away with all passport checks on travellers crossing internal EC frontiers.

This legal opinion will be on

the implications of the 1986 Single European Act's definition of the internal market as "an area without internal frontiers".

Most continental EC states (which have themselves formed the Schengen free travel accord) agree with Brussels that the Act requires abolition of all intra-EC border controls. But the UK, with some backing from Denmark and Ireland, contends the act still gives it the right to control non-EC (and thus in practice EC) citizens and to undertake anti-terrorist and drug checks at sea and airports.

Most of the Commission's 1992 programme confirms the current change in the EC executive's role, from architect to manager of the single EC market. Thus, apart from completing legislation on financial ser-

vices, public procurement, corporate tax, data protection, food and drug marketing, much of the emphasis is on monitoring the application of existing single market directives. There are, for example, 60 of these affecting agriculture, and Brussels says it needs a new veterinary agency to implement the animal health measures.

Accompanying policies to improve and free up telecommunications, energy and transport networks are also given high priority, while in the non-legislative field Brussels says it will be gearing up to help bring monetary and a common foreign policy about.

While the Maastricht treaty has heightened the Commission's ambitions further, the treaty's clause on "subsidiarity" or states' rights has appar-

ently made it wary about how it achieves these ambitions.

The EC executive promises to "resist over-legislation and intervention" in policy areas which can be dealt with at national, regional or local levels. Perhaps fearing a backlash from member states, the Commission even admits that "its future existence depends on" it fully complying with the principle of subsidiarity.

The Commission wants to do nothing to upset ratification of the Maastricht treaty this year by the 12 national parliaments. It therefore plans to keep member states better informed of its more sensitive actions. As the 1992 programme says, "an efficient early-warning system will be particularly important to avoid ruffling national feathers as a new era dawns for Europe".

US pledge on role in Europe's defence

By Robert Mautner, Diplomatic Editor

THE US yesterday assured Britain that its military commitment to Europe's defence would not be affected by disagreements with the European Community in the Gatt trade liberalisation talks.

Both President George Bush in Washington and his Vice-President, Mr Dan Quayle, who had talks in London yesterday with British government leaders, stressed that there was no connection between the issues.

At the same time, Mr Quayle agreed with his British hosts on "the political imperative" of getting a satisfactory agreement in the Uruguay Round of trade talks as soon as possible.

The confusion about US policy arose out of remarks made by Mr Quayle in Munich last weekend, when he appeared to establish some kind of linkage between the Gatt talks and the US military presence in Europe. He later denied that had been his intention.

In talks yesterday with Mr Douglas Hurd he left the British foreign secretary in no doubt about the strength of the US military commitment, but officials declined to say how large it would be. The US is widely believed to be planning reducing its troop strength to below 100,000, less than a third of the number at the height of the Cold War.

Reynolds makes big changes in Irish cabinet

By Tim Coone in Dublin

IRELAND'S new prime minister, Mr Albert Reynolds, yesterday replaced eight of Mr Charles Haughey's 14-strong cabinet, and moved three others.

The most significant change is at the Foreign Ministry, where Mr Gerry Collins has been replaced by Mr David Andrews. Mr Collins has been a central figure in Anglo-Irish talks on Northern Ireland and had a good working relationship with Mr Peter Brooke, the UK Northern Ireland secretary.

The failure to make any political breakthrough, though, had left his cabinet post in doubt, and Mr Andrews' appointment clears the way for possible new initiatives. Mr Andrews has held front-bench posts since the 1970s, and was a junior foreign minister from 1977 to 1979.

Mr Bertie Ahern stays at finance, reflecting Mr Reynolds' concern to assure the markets of continuity in economic policy. The two posts held by the Progressive Democrats, the coalition partners, are also unchanged - Mr Des O'Malley at industry and Mr Bobby Molloy at energy.

Senior ministerial posts have been given to former environment minister Mr Padraig Flynn, and Ms Maire Geoghegan Quinn and Mr Michael Smith, both junior ministers with Mr Reynolds by Mr Haughey last November.

Mr Flynn takes over the justice portfolio from Mr Ray Burke, and will be a key figure in talks on Northern Ireland. Mrs Quinn has been given transport and telecommunications, Mr Smith environment.

Also dropped from the cabinet are Mrs Mary O'Rourke (health), Mr Michael O'Kennedy (agriculture), Mr Brendan Daly (social welfare), Mr Rory O'Hanlon (environment), Mr Noel Davern (education), Mr Vincent Brady (defence).

Other new faces in the cabinet are Mr Brian Cowan at labour, Mr John O'Connell at health, Mr Joe Walsh at agriculture, and Mr Charlie McCreery at social welfare. A cheer went up in parliament at the announcement of Mr McCreery's name. He is a long-standing opponent of Mr Haughey and led efforts to oust him in the early 1980s.

Mr Noel Dempsey, a young backbencher at the forefront of the most recent rebellion against Mr Haughey, has been appointed Fianna Fail chief whip.

Mr Reynolds was sworn in yesterday as prime minister after having been elected 84-78 in parliament.

In a final statement as premier Mr Haughey said: "I were to seek any accolade... it would simply be: He served the people, all the people, to the best of his abilities".

Ireland to get US computer facility

CABLETRON Systems, a US-based manufacturer of computer networking hardware, is to establish a European manufacturing base in Ireland this year, following a rapid growth in sales over the past three years, writes Tim Coone from Dublin.

The £12m (\$20.4m) manufacturing facility will be located at the Plassy Technological Park in Limerick, a focal point for electronic industry development in the west of Ireland.

The project is being part-funded by Ireland's Industrial Development Authority (IDA), and will also be able to take advantage of Ireland's low corporate tax rate of 10 per cent.

The company, founded in 1983, manufactures "intelligent hubs", which enable computers of diverse design and architecture to link together into local area networks.

Its projected world sales for 1992 are \$20m, 25 per cent of which will be for the European market.

There are now about 250 electronics companies located in Ireland, employing 26,000 people.

Exports of electronic equipment and parts now comprise approximately 20 per cent of Ireland's total exports.

\$142m phone deal for Puerto Rico

Telefonos de España, a Spanish telephone company, is to purchase 80 per cent of the Puerto Rican government's holding in the island's long-distance carrier for \$142m, writes Canute James from Kingston.

The contract was agreed between Telefonos de España, a subsidiary of Telefonos de España, and Telefonos de España, owned by the Puerto Rican administration.

The Spanish company says it will invest another \$50m in the Puerto Rican venture to upgrade its facilities.

The US Federal Communications Commission will have to approve the sale, as Telefonos de España's purchase breaches regulations prohibiting foreign companies from owning more than 40 per cent of any US telephone company.

Puerto Rico is a Caribbean possession of the US and is subject to federal regulations on non-US ownership.

The purchase represents Telefonos de España's second venture in the Puerto Rican telecommunications industry. The company already owns 40 per cent of Telefonos de España, which manufactures telephones and other equipment on the island. Telefonos de España, also has investments in Argentina, Chile and Venezuela.

MEPs vote for tobacco advertising ban

THE European Parliament voted yesterday to back a Commission proposal to ban all tobacco advertising, except at the point of sale, reports David Gardner from Strasbourg.

It was passed in spite of intense lobbying by the tobacco industry to water down the measure.

The proposal will now go before a meeting of EC health ministers in May, where it has still to overcome a blocking

minority of member states formed by the UK, Germany, and the Netherlands. This minority was weakened when Denmark recently changed its position.

The ban was backed by 150 out of 285 Euro-MPs who voted, with 123 against and 12 abstentions.

The Commission's support centred on the majority of the socialist group, the largest bloc in Strasbourg, backed by MEPs

from the Greens, Gaullists, and the group made up largely of the former Italian Communist Party.

Christian Democrats, Tory MEPs, and German Social Democrats voted against the ban. The latter argued that it was contradictory to prohibit advertising of a legal product.

The MEPs voted through a series of amendments which in general would stiffen the Commission proposal by allowing

member states to take even tougher action, and by tightly circumscribing any possibility of getting round the directive by resorting to indirect advertising.

A often occurs in the European Parliament, a potentially contradictory amendment - put on the agenda by the UK Conservative group - also got through. This would allow all advertising except where public health is at risk.

Bonn rejects pleas from Moscow for more compensation

By Quentin Peel in Bonn

GERMANY appears set for a nasty spat with the new Russian regime over compensation costs for its departing troops.

Hard on the heels of a hefty bid for increased German contributions for ex-Soviet soldiers' housing, the once-Soviet commander in former East Germany yesterday put a figure on his demand for a massive pay-off for the decaying barracks, crumbling camps, and polluted exercise grounds his troops will leave behind.

Col-Gen Matvei Burlakov told Stern magazine he was looking for no less than DM10.5bn (\$6.5bn) military buildings and housing. He was prepared to accept a cut of DM2.5bn for "ecological damage" which had not been repaired by his final departure at the end of 1994.

That demand comes on top of the call by Gen Pavel Grachev, the Russian defence minister, for Germany's DM1.4bn for soldiers' housing back in the former Soviet republics to be increased by another DM7bn for Russia alone - because that is where most of the troops are heading.

Gen Grachev's request was

flatly dismissed yesterday by his German counterpart, Mr Gerhard Stoltenberg.

Gen Burlakov's demand was also dismissed yesterday by the German Finance Ministry as pure fantasy. Officials quoted a variety of prices which showed how far from reality the claims are.

For four barracks in Schlotzhelm, near Gotha, the general was demanding no less than DM70m. The highest commercial bid for the property was DM150,000. As for a housing complex at Beeskow, outside Frankfurt on the Oder, the Russians were asking for DM5.7bn, whereas the local council was only offering DM60,000.

The Soviet military installations are in a decrepit physical state, and vast scrap metal dumps, waste oil lakes, and devastation of military exercise grounds appears to far outweigh any notional value they may have.

A joint working group has been attempting to reach an agreement, which German officials suggest might simply amount to both claims cancelling each other out.

N-waste problems mount for Ukraine

By Christa Freeland in Kiev

THE previously well-integrated nuclear network of the former Soviet Union has been thrown into disarray by disagreements between the recently formed republics. The most immediate and dangerous result is the difficulty Ukraine now faces disposing of its nuclear waste.

Yesterday, directors of Ukrainian nuclear power stations were in the Russian region of Krasnoyarsk to salvage a deal allowing them to continue shipping nuclear waste to the sparsely-populated region.

Traditionally, the 10 VVR1000 nuclear reactors in Ukraine have stored their waste in Krasnoyarsk. But this year, according to Ukraine's industry minister, Mr Viktor Hladush, the region attached food supplies to the deal.

In exchange for guarantees that Ukraine will supply butter and sugar at 1991 levels, Mr Hladush believes Krasnoyarsk will take the waste. Ukraine has undertaken to supply the Russian republic but Krasnoyarsk leaders are insisting on a separate agreement.

Mr Hladush warned that as the Soviet economy disintegrated each link in the Soviet nuclear power chain was fragile. "From Zhyvoti Vody (in south-eastern Ukraine) to Krasnoyarsk, every region could put forward a similar ultimatum," he said.

He added that Ukraine had also to find new purchasers for uranium and heavy water because cuts in the Soviet nuclear arsenal had reduced domestic requirements. The problem, he said, was that "we cannot sell to those countries who want to buy".

● The Ukrainian Defence Ministry has highlighted a new source of tension with Russia over the division of conventional forces. An official said Russia was demanding two-thirds of all land-based hardware belonging to what was once the Soviet army and three-quarters of all aircraft.

Ukraine insists on keeping all military hardware, apart from nuclear missiles, stationed on its territory.

Some of the best hardware is stationed in Ukraine. It would also be difficult to transfer the conventional forces from Ukraine without the republic's consent because nearly half of all Soviet soldiers stationed there have sworn an oath of allegiance to Ukraine.

A Ukrainian defence official said agreement with Russia was close on strategic forces which had been viewed as the more contentious issue.



US Salvation Army members help staff at a Moscow canteen for the elderly prepare food aid donated by western countries

Russia tangled in politics of aid

John Lloyd on the divisive symbolism of foreign bread and butter

A CARTOON on a banner displayed at the communist demonstration in Moscow on Sunday showed a horse labelled "The New Powers" munching at a pile of "humanitarian aid". Hungry citizens at the rear end of the horse relished its droppings.

For the growing numbers on the right and left who oppose the Russian government, aid is represented as a prop for those in power which gives the people nothing.

The environment in which it is delivered encourages such a response. The current airlift of aid is given massive TV coverage - and Russians see it brought in by westerners who look rich, well fed and well dressed.

The need to guard the supplies has led the European Community, the main aid provider, to bring over a group of servicemen, including no less than two generals - one French, one German. Fritz von Steinacker is deputy administrator of the task force overseeing the distribution of the aid and is a German who fought on the Russian front as a young soldier he invites comment.

He and his fellows stay at the Lufthansa-owned Olympic Penta, one of Moscow's few luxury hotels, which costs about \$200 a night for a room - another cause for envy and decision since, on the current Rbl10-to-the-dollar exchange rate, that is more than most Russians earn in a year.

In fact, the testimony of those distributing aid is that almost nothing has been lost to thieves - less because of Gen von Steinacker, more because of Russian soldiers who guard the train convoys bringing the meat to the cities from St Petersburg or Klepida in Latvia. The focus of the media, western and Russian,

on the criminality surrounding the operation is mistaken, say the organisers.

Two senior officials concerned with the distribution of EC aid to Moscow and St Petersburg under a Ecu200m (\$258m) programme, speaking on terms of anonymity, pointed to the downside.

First, it undercuts the local supply system.

The EC produce is set deliberately below the higher market prices to try to drag them down. Unfortunately, they say, it is not so much having this effect as deterring producers of food from selling to the Moscow and St Petersburg shops - pushing them to conclude long-term contracts with other republics, or organisations elsewhere in Russia.

The producers are not, they say, profiteering, but their own costs, sharply up, rule out competition with the EC food.

Once the EC aid runs out, in about two months, and the effects of the airlift are over in two to three weeks, the two largest Russian cities will have to go back to suppliers who may be unable or unwilling to sell to them.

Mr Hansjorg Kretschmer, the deputy head of the EC mission to Moscow, said yesterday that there were "indications, not yet proof" that the relatively low prices were deterring Moscow producers from selling - while there had as yet been few signs of a reduction in price. The EC now prices its butter at Rbl56 a kg, boned meat at Rbl50 a kg, boneseat at Rbl57. The free prices of butter reach Rbl100 a kg or more, while meat of any quality sells at Rbl120 a kg, or more.

Second, the aid may not be what is needed. In their studies of the food chain, the officials have concluded that quantities are adequate: the real problem is equipment at every stage. Many ware-

houses are inefficient or have no freezing facilities, transport is ageing, roads are deteriorating. In the food plants, production lines are subject to constant breakdowns and the shops are often primitive.

This is strongly supported by the experience of consultants from Arthur Andersen, now concluding a study of bread supply in Moscow. The team, led in Moscow by Mr Stephen Zatlend, has concluded that the supply of grain and flour is sufficient (though increasingly the grain in the silos comes from abroad, bought by western credits); the real problem lies in the bread factories.

Says Mr Zatlend: "The engineers in these factories are the heroes. It's incredible how they keep machines going which sometimes date from the 1920s. But if one of them broke down (there are 24 bread plants in Moscow, with an average of about 150 tonnes a day output), it would be hard to make up its supply to the shops it serves because everything is stretched so thin."

But the key recommendation in the Arthur Andersen report - besides the need to pass a move to market relations in the sector - is: put the bread in bags. Mr Zatlend says: "This one thing would greatly improve the situation. At present, a loaf's life is 18 hours. A plastic bag could prolong it to three days. It would mean the shops had constant supplies, the bread fresher, the queues shorter, the waste much less."

In this instance, investment in packaging (a tiny sector in the CIS states) would save millions and ensure adequate supply of the staple food. Said one of the aid officials: "If I had one tenth of the money being spent on aid, I would know exactly how to spend it to make sure aid wasn't needed."

Euro Disney tries to end dispute with contractors

By Alice Rawsthorn in Paris

EURO DISNEY is trying to defuse an acrimonious row with its contractors by agreeing terms for a settlement with a group of companies which worked on the construction of its theme park outside Paris.

Euro Disney, which plans to open Euro Disneyland at Marne La Vallée on April 12, has been beset by a storm of complaints from disgruntled building companies claiming it has been too slow in paying their bills.

Yesterday Euro Disney announced it had reached an agreement with a group of 40 companies, all of which had worked on the park as sub-con-

tractors of Gabo/Eremco, a company contracted directly by Euro Disney.

The 40 sub-contractors should have been paid by Gabo from the FFr10m (\$30.3m) it received from Euro Disney. However Euro Disney said it had been forced to dismiss Gabo for "mismanaging" the project and that Gabo subsequently filed for bankruptcy.

As a result the sub-contractors were not paid.

This has left some in a fragile state. Euro Disney has agreed to make a special payment to them so they can pay essential bills to avoid having to file for bankruptcy.

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Fax No: 011-22-4940149
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Four die in Yugoslav ceasefire violation

THREE Serb irregulars and one Croat guardsman were killed yesterday in the most serious single violation of the five-week-old ceasefire in Yugoslavia, writes Laura Silber in Belgrade.

Belgrade radio said the three Serbs were killed and two were wounded around Vukovar and Vinkovci, eastern Croatia, when Croat forces

fired on Serb-controlled positions. According to Croatian radio, the Croat soldier died and two were injured in an artillery attack launched by Serb fighters in the same region of eastern Croatia. Croat leaders have vowed to reclaim the eastern Croatian region of Slavonia, Baranja and Western Srem currently controlled by the Serb-domi-

nated federal army.

A western diplomat yesterday said: "It is not yet clear if the most recent violations are just isolated incidents in eastern Croatia where the truce is most fragile. The danger of renewed clashes increases the longer it takes to deploy the [United Nations] peacekeepers. This delay, coupled with the apparent Croatian build-up

and its more aggressive stance, could seriously jeopardise the ceasefire."

Meanwhile, Tanjug, the Belgrade-based news agency, said an extra 25 unarmed UN liaison officers had arrived yesterday, bringing to 76 the number bolstering communications in crisis zones.

UN officials last week said the ceasefire was stable

enough to despatch a force of 10,000 peacekeepers. But consistent opposition from Mr Milan Babic, president of Krajina, a Serb enclave in Croatia, has delayed the deployment of UN forces. Mr Franjo Tudjman, Croatia's president, has also raised objections over police control of Krajina and other Serb-held territories in Croatia.

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Gatt issues warning against environmental imperialism

BEWARE protectionists who disguise themselves in environmentalists' clothing: beware the temptation to assume the role of global environmental vigilantes and don't forget that a set of effective environmental protection laws will always be better than - and will normally preempt the need for - trade weapons in defence of the environment.

These stern calls provide a haunting chorus throughout the 35-page report on trade and the environment published today by the Geneva-based secretariat to the General Agreement on Tariffs and Trade (Gatt).

The long-awaited report, delayed by hectic but far fruitless efforts to complete the

Uruguay Round of talks on world trade liberalisation, is intended to trigger debate in this controversial area in the run-up to June's "earth summit" in Brazil.

Mr Arthur Dunkel, Gatt director-general, said yesterday these were "not Gatt's first words on the subject, nor the last". They are nevertheless expected to shape a debate in which advocates of free trade try to persuade increasingly militant environmental groups that free trade is not synonymous with providing a licence to pollute the globe.

Among the points made most forcefully by the report are:

- The European Community's fiercely protectionist Common Agricultural Policy (CAP) is inflicting serious environmental damage on the globe.

- Countries with large forest areas are currently providing "carbon absorption services" free of charge. Instead of imposing trade sanctions on them for exporting logs, they should be properly paid for these carbon absorption services.

- Countries are not clones of each other. They have a sovereign right to declare different environmental priorities and policies.

- Gatt's rules and dispute settlement procedures will not frustrate any country's efforts



to improve domestic environmental standards. While they might frustrate unilateral "vigilante" action by one country against another, they provide a working framework for winning multilateral agreement.

There is a close link between wealth and improved environmental protection. Trade barriers that frustrate developing countries' ability to improve living standards will at the same time frustrate efforts to raise standards of environmental protection.

Tariff walls are no more justified to protect the competitiveness of companies that have incurred the cost of meeting strict environmental standards than they are to protect companies that pay more corporation tax, or spend more on

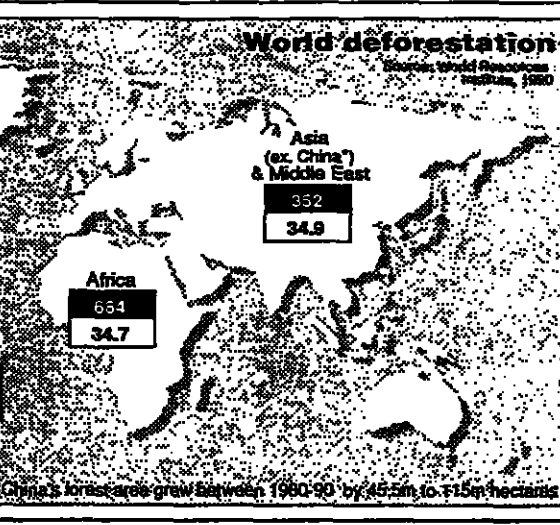
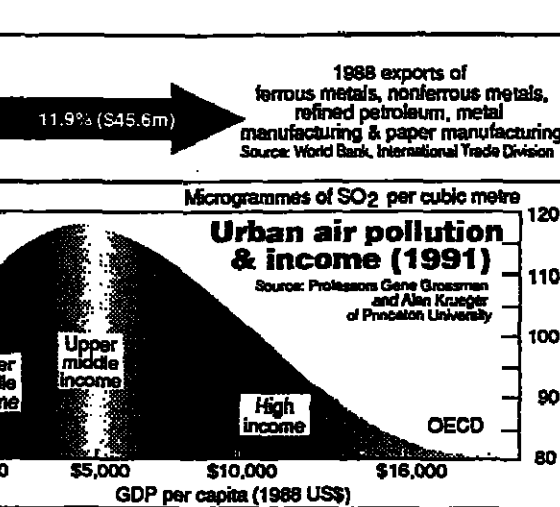
research and development. On the contrary, such companies are likely to become market leaders as a result of such investment.

The report's fiercest language is reserved for protectionists in general and US and European farm policymakers in particular. "Existing agricultural protection not only fails to help the environment, but almost certainly is an important source of environmental degradation," the report says.

US land set-aside programmes have prompted farmers to aim for higher yields on remaining land, "which almost certainly has involved increased per-acre use of chemicals". High support prices in land-scarce countries, backed up by tariff walls, have a similar effect, the report argues. It notes that countries like Argentina, Australia and Thailand use less than 10 per cent of the chemical fertiliser per hectare used by Europe's farmers.

The report accuses "particular producer groups" of having succeeded in the past "in manipulating domestic environmental policies to benefit themselves at the expense of both the rest of the economy and ultimately even the environment". It warns environmental groups to be wary of efforts by protectionist lobbies to draw them into "implicit or explicit alliances".

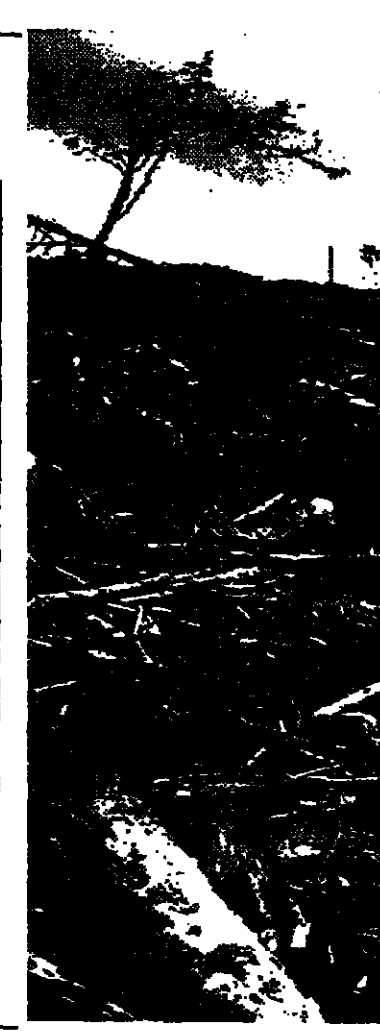
The report queries whether trade measures are ever likely to be the most effective means of achieving environmental



improvements. In a clear call for the Rio summit in June to gain more multilateral consensus on policies intended to protect the environment, the report notes: "If all countries participated in all international environmental agreements, there would be nothing more to add."

There are repeated warnings against unilateral action by governments to export domestic environmental policies - a clear measure of the Gatt's anxiety over a tendency, particularly in the US, to resort to trade weapons to force good environmental practices on other countries.

In a reference to a recent controversial ruling against a US decision to ban imports of Mexican yellowfin tuna



cost of action should be skewed both towards those who pollute, and those who have the ability to pay.

The report is anyway sceptical about the effectiveness of present trade weapons aimed at tackling problems like deforestation and the uncontrolled slaughter of elephants to fuel the trade in ivory.

A close examination of efforts to restrict the trade in tropical timber argues that a ban would do nothing to reduce deforestation: instead it proposes that the advanced industrial countries, whose carbon dioxide emissions account for most global warming, should compensate forested countries for their "carbon absorption services". Nonpayment for these services makes a country like Brazil "has little or no incentive to take such services into account in deciding on the optimal management of its forest resources".

While the Gatt is not so brash as to claim that free trade provides a panacea for solving environmental problems, it contests the view that liberal trade is a villainous contributor to degradation. "Conceivably, an expansion of trade could produce negative environmental effects so large that they outweigh the conventional benefits from open markets (increased specialisation, more competition and so forth)."

However, this is possible only if a country lacks a domestic environmental policy that reflects its environmental values and priorities," the report argues. Also, failure to place a proper value on environmental resources would undermine sustainable development even in a completely closed economy, it says. Trade could be no more than a "magician".

Much more likely, expanded trade will lead to greater wealth and a diffusion of technology - both of which enhance a society's ability to protect and upgrade its environment. The principal challenge, it concludes, is to exploit those ways in which open international trade "can contribute, in conjunction with appropriate national environmental policies, to the improvement and protection of the environment".

that the Gatt wades into deepest controversy: "Countries are not clones of each other," it argues. This lays open the danger that a country might condone poor environmental standards, encourage the migration of polluting industries - a problem that should be tackled by open debate in multinational forums, not by vigilante action by self-appointed environmental imperatives.

The Gatt accepts that when pollution does not remain inside a country's borders, or affects the "global commons" like the ozone layer or deforestation, then "inter-governmental co-operation is likely to be essential". It nevertheless insists that unilateral action must be resisted, and that the

the - all too rare - responsible logging enterprises protect their concessions from illegal loggers for their own financial benefit.

The environmentalists also say that the arguments deployed by the likes of the Malaysian government and the Gatt report tend to lump trees together as if they were all of the same species.

The problem is not just one of deforestation, they say, but the indiscriminate harvesting of rare hardwoods which need decades to regenerate themselves.

With a logging ban announced, if not enforced, in Thailand, Thai entrepreneurs have taken to plundering the teak and other hardwood trees of Burma, Laos and Cambodia, a trade which also allows them to disguise illegally felled Thai trees as imports from neighbouring countries.

I don't know how you can control that if you don't put controls on trade, says one environmentalist in Bangkok.

Pessimism grows for 'earth summit'

By Christina Lamb in Rio de Janeiro

AS ONE of the world's most protectionist economies and keeper of the planet's largest rainforest Brazil will be an interesting setting for the discussion on the value of free trade for the environment.

The UN Conference for Environment and Development, better known as the "earth summit", would not justify its grandiose title without such a topic on the agenda and Rio de Janeiro in June will be the location for what is expected to be a heated discussion with little substantive results.

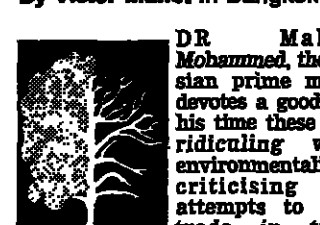
Multilateral organisations such as Gatt and the World Bank are currently falling over themselves to produce reports on the issue which will be discussed at the summit and divides the developed and developing worlds.

Mr Tony Goss, co-ordinator of the Global Forum, the parallel conference of non-governmental organisations, says: "The whole question of Gatt and neo-liberal trade policies will be the cornerstone of the debate both at the official and parallel events."

At the last preparatory meeting in Geneva for the summit the Group of 77 made clear that it was not prepared to discuss treaties on bio-diversity and forests unless a commitment to improved terms of trade and transfer of technology is included. This week the Amazonian pact countries have been meeting in Brazil with a clear message - there can be no agreement on conservation without taking into account economic realities. One delegate said bluntly:

Malaysia ridicules enemies of timber trade

By Victor Mallet in Bangkok



At last month's summit of the Association of South-East Asian Nations in Singapore, he pointed out that the rich industrialised countries, having deforested their own land, were now causing most of the world's pollution while begging developing countries not to cut down trees.

He disputed the idea that tropical forests were a common heritage of the world and - perhaps letting his imagination get carried away - claimed that wealthy, technologically advanced nations could plant even deserts with

tropical hardwoods and so triple the area of tropical timberland within a century.

More forests can be saved by preventing forest fires or putting them out quickly, Dr Mahathir added, than by boycotting the export of tropical timber or advocating that forest dwellers remain in the forest, eating monkeys and suffering from all kinds of tropical diseases.

Malaysia has good reason to be defensive about the timber trade. It accounts for nearly half the world's recorded exports of tropical timber, compared to 26.7 per cent for Indonesia and a mere 2.4 per cent for Brazil.

That Brazil - the most notorious environmental villain to ordinary, green-thinking people - should account for so small a share of the trade is perhaps the best illustration of the lack of correlation between deforestation and timber exports.

The Gatt report on the environment

takes up this theme with enthusiasm, saying that a ban on trade in logs and processed tropical timber would have a minuscule effect because such exports amount to less than 1 per cent of the trees felled in developing countries.

Those calling for restrictions on tropical timber exports have an especially unconvincing case for trade restraints on environmental grounds, the report says.

Environmentalists would be the first to agree that general deforestation is usually the result of farming or tree-cutting for fuel (as wood or charcoal) rather than logging.

Nor would they dispute the Gatt report's assertion that deforestation could be slowed by compensating lower income countries for preserving large forests and by promoting employment and income growth for the rural poor.

But they note that loggers build roads which allow others to encroach on virgin forest (even if it is true that

the - all too rare - responsible logging enterprises protect their concessions from illegal loggers for their own financial benefit).

The environmentalists also say that the arguments deployed by the likes of the Malaysian government and the Gatt report tend to lump trees together as if they were all of the same species.

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US greens lose faith in promises

By Nancy Dunne in Washington

US environmentalists see Gatt as dominated by business, and Gatt pronouncements as the inevitable output of an organisation which has no mechanism to balance the competing interests of business and environment.

Mr John Audley of the Sierra Club sees little possibility of developing an international consensus on effective rules to limit environmental damage. "Environmental rules rarely have broad support. Rules have costs," he said. The scientific evidence demonstrating the need for them is often controversial. The tendency is for those who have to pay the costs to put downward pressure on the standards. International environmental compacts are rarely effective because they lack enforcement mechanisms, he said. Gatt is saying, "environmental leaders can no longer lead because they have to wait for the rest of the world to follow".

Ms Lori Wallace of Public Citizen scoffs at the assumption that a country which industrialises will put new revenues into an environmental clean-up.

"Unless there is some mechanism to direct revenue into environmental activity, the evidence is it absolutely won't happen," Ms Wallace said, citing as an example the Maguad region - the environmental scandal of the US-Mexico border. Mexico and the US have just begun funding environmental programmes there because the governments want passage of a North American Free Trade Agreement.

Mr Rick Hind of Greenpeace views the Gatt trade and environment report as consistent with the "generally undemocratic approach" of an organisation "subservient to multinational corporate interests and says that it is dangerous to estimate environmental costs in purely economic terms."

The "native Americans, who are not signatories to the Gatt, have it right when they say we must consider the effect of everything we do on seven generations hence," Mr Hind said.

Incentives needed for clean growth

By Frances Williams in Geneva

THE Gatt report argues that in general positive incentives to comply with international environmental agreements will be more effective than trade sanctions.

Such incentives are a key feature of proposals to introduce a system of tradeable pollution permits to combat global warming, now being studied by the Geneva-based United Nations Conference on Trade and Development (Unctad).

This system, proponents claim, could control global emissions of carbon dioxide, the main greenhouse gas, while allowing developing countries to continue industrialisation - a process that involves more use of fossil fuels and so CO₂ emissions.

At the same time, Third World nations would have an incentive to grow more "cleanly".

Under the plan, outlined in a report to be published by Unctad this spring, each country would be allocated a quota of tradeable carbon emission entitlements (TCREs).

Worldwide, these would add to whatever CO₂ emission targets were set by international agreement, for instance, in any protocol to the framework convention on climate change due for signing at the UN earth summit next June.

However, developing countries would be allocated more permits than they needed, while industrialised countries would get fewer.

Surplus permits would be tradeable on an international

EC plan for carbon tax may become test case

By David Lascelles, Resources Editor

THE European Community's plan to introduce a carbon tax could become an important test case in the mounting conflict between trade and environmental interests.

The plan is still in its early stages, but Mr Carlo Ripa di Meana, the EC's environment commissioner, has made clear that he wants to have a firm proposal to display at the Rio earth summit in June. He expects that event to provide a forum for thorough debate of the issues. The tax is by far

the most ambitious environmental measure ever contemplated. It will affect 350m people and drive up the cost of the most basic industrial commodities, energy. Its fate is therefore a focus of intense environmental interest.

The tax would be imposed on all carbon fuels - oil, gas and coal - and on other fuels in proportion to their energy content. The aim is to cut harmful emissions and help combat global warming, in addition to encouraging energy saving. The tax would be introduced at the rate of \$3 a barrel of oil, and increased by \$1 a year until it reached \$10. Mr Ripa di Meana hopes to start it next year, but that

schedule may prove too tight politically. The tax would affect trade in two ways. First, it would unilaterally raise the cost of EC exports and thereby blunt the Community's competitiveness in world markets. For this reason it is strongly opposed by a wide swathe of EC industry.

Second, as non-EC countries see it, it would create a kind of invisible trade barrier by adding to the entry cost for outside businesses seeking to set up production plants within the EC. This barrier would be especially high for companies from the third world who had not adjusted their technologies to the rig-

ours of a highly taxed market. Because of all these conflicting pressures, prospects for the tax are far from clear. In its favour, a wide range of EC ministers - finance, economic, environmental and energy - have supported it in principle. They could hardly do otherwise because of the tax's self-evidently worthy aims.

Mr Ripa di Meana's dilemma is that he is keen to win approval for a measure that will show that the EC is serious about safeguarding the environment. But he also knows that, by itself, the EC's carbon tax would make little difference. At the moment, the EC accounts for only 13 per cent of world carbon dioxide

exchange, so providing poor nations with finance to speed development. It would nevertheless pay developing countries to invest the money in clean technologies, so as to minimise the number of permits needed to "cover" CO₂ emissions.

Rich countries would also benefit from the scheme by comparison with alternatives, Unctad argues.

It would bring on board an international agreement big potential polluters like China and India, with huge fossil fuel reserves.

Both have said they cannot accept constraints on growth imposed by a global warming accord without massive transfers of aid and technology. The scheme would also minimise the economic costs of limiting carbon dioxide emissions in the industrialised world, by ensuring that reductions are made first where the cost of doing so is least.

This is because countries have an incentive to cut CO₂ emissions wherever it costs less to do so than buying a permit in the market.

The report adds that an international system of tradeable permits is compatible with any domestic mechanism for tackling carbon dioxide emissions.

In addition to the conventional regulatory approach, the United States is experimenting with pollution permits under the 1990 Clean Air Act, while the European Community has plans for a carbon tax.

While the ban may have played a role in reducing illegal hunting, other factors such as additional law enforcement and financial assistance may have more directly contributed to a reduction in poaching," the report argues.

There is consensus that the trade ban has led to a collapse in demand for worked ivory, particularly in the US and Europe.

But Dr Richard Luxmoore at the Wildlife Conservation Monitoring Centre in Cambridge argues this fall is perhaps due more to enhanced awareness about, and concern over, the threat to elephant populations than it is to the ban.

He points to a similar collapse in demand for fur products in the US and Europe, which has been achieved without any comprehensive ban.

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INTERNATIONAL NEWS

Harkin has 78% of Iowa Democrat caucus vote

By George Graham in Washington

SENATOR Tom Harkin won 78 per cent of the votes in Monday night's Democratic party caucuses in his home state of Iowa, comfortably exceeding his target of bettering the 59 per cent score of President Jimmy Carter in 1980.

However, his faltering presidential campaign seemed unlikely to gain much impetus from this local triumph.

None of the other Democratic candidates had campaigned on Senator Harkin's home turf, and with fewer than 30,000 people attending the caucuses - barely 4 per cent of registered Democrats - the vote could scarcely be hailed as a plebiscite.

Iowa's caucuses, the first to be held in each presidential campaign, have since 1972 strongly influenced the eventual nominations of both parties, especially the Democrats. This has probably contributed to a stream of Democratic candidates who were more dovish and pro-farm than the nation at large.

In 1988, however, both parties' Iowa winners subsequently dropped out of the race, while Senator Albert Gore of Tennessee demon-

Harkin's campaign for the presidency seems unlikely to gain a lot from this local triumph. But he believes it will give him a higher profile for the first primary in New Hampshire

strated that a candidate could ignore Iowa and still build a strong campaign on the cluster of primaries held on Super Tuesday - which this year will take place on March 10.

Yet Mr Harkin, whose prairie populist campaign has failed to capitalise on a promising start at raising campaign funds and winning support from trade unionists and other traditional Democratic power brokers, yesterday put a good face on his Iowa victory.

He said the vote would give him the extra momentum needed to win over the many New Hampshire voters who are still undecided about next week's primary.

Recent opinion polls place

Mr Harkin fourth in New Hampshire behind former Senator Paul Tsongas of Massachusetts, Governor Bill Clinton of Arkansas and Senator Bob Kerrey of Nebraska.

Between 10 and 20 per cent of voters are still undecided. Mr Harkin, who describes himself as the only old-fashioned Democrat in the race, has compared his position to that of Senator Gary Hart in 1984.

Like many other beneficiaries of what is known as the " Iowa bounce", Senator Hart did not actually win, but fared so much better than expected that his campaign caught fire, helping him to sweep the New Hampshire primary a week later.

The Iowa victory will still give Senator Harkin more delegates than any other candidate, even if he fails in New Hampshire.

Mr Harkin claims good support in Maine and South Dakota, the next two state votes, but political commentators believe he will do poorly in the mainly southern Super Tuesday states.

Democratic rivals begin to fear Tsongas

Lionel Barber sees the Massachusetts long shot on the New Hampshire campaign trail



THE PALACE Theatre was packed with students, anti-nuclear activists, a woman in a Spitting Image mask of Margaret Thatcher, and a cross-section of the earnest, well-informed voters of New Hampshire. The candidate, a slightly built man who turns 51 this week, shuffled on stage to a huge burst of applause.

Former Senator Paul Tsongas of Massachusetts is enjoying his 15 minutes of fame in the Democratic presidential campaign. With less than a week remaining until next Tuesday's New Hampshire primary, Mr Tsongas, the long shot, has drawn level with Governor Bill Clinton of Arkansas, the early favourite dogged by accusations of adultery and draft-dodging during the Vietnam war.

"When I entered the race 10 months ago, George Bush stood at 91 per cent in the polls. Today he is in the mid-40s. I have done one hell of a job for this country," says Mr Tsongas, the candidate whom Richard Nixon describes as "too responsible to become the Democratic nominee."

The rise of Mr Tsongas, the self-styled pro-business liberal, is one of the more improbable stories of the 1992 election campaign. A Greek American from Massachusetts, he is a cancer survivor who cannot raise money, a candidate who three months ago stood at barely 2 per cent in the national opinion polls, the man who has turned downess into a political virtue.

"For most political analysts, I don't compute," he says, showing the self-deprecating humour which has become his trademark. "But I know what it will take to turn this economy around. I am not afraid to tell the truth."

More than 450 people gathered at the Palace Theatre on Monday night to listen to Mr Tsongas. He cast himself as the man who can make America competitive in the international market, restore manufacturing and create new jobs. In New Hampshire, which has suffered more than most states during the recession, this is the message which sells.

The gospel according to Paul is one of economic austerity. He dismisses the middle-class tax cut favoured by other Democratic candidates as a gimmick; he wants to reduce the \$400bn (\$220.5bn) federal budget deficit (although he is



Tsongas' vision of austerity

vague on how he would cut spending), he supports a capital gains tax cut and relaxing anti-trust laws to make US corporations more competitive with Japanese and German counterparts. He is unashamedly in favour of free trade.

Asked to condemn the Bush administration's proposed North American free-trade pact with Mexico on the grounds that American jobs "will go south", Mr Tsongas says: "I don't wish to compete with

Mexico, Thailand and Indonesia. I want to compete with Japan and Germany. I want high wages and high value-added products."

President Tsongas - which almost sounds as remote a prospect as President Dukakis, his fellow Greek American from Massachusetts defeated by George Bush in 1988 - would spend most of his time running USA Inc. "My job is to figure out what works. How do you compete?" he says.

It is a narrow vision of the presidency which reduces the world to one long economic struggle; it offers little clue as to how he would handle, say, the role of commander-in-chief. Recognising this, Mr Tsongas tried on Monday night to spell out a more expansive vision.

In a moving speech about his battle with cancer, during which he suffered radiation equivalent to being within a mile of Hiroshima, Mr Tsongas spoke of the strength of purpose and obligation which it has brought to his life. It was an effective performance.

Still, large questions loom over the Tsongas candidacy. By his own admission, he is desperately short of cash. He may not be able to withstand the rigours of a long campaign, although a recent television advert shows him swimming

vigorously to underline his physical recovery. More important, his appeal outside his home base in the north-east looks limited.

These weaknesses suggest it is too early to write off Mr Clinton, who raised more than \$500,000 at a New York dinner on Monday night, despite lingering suspicions that he has been badly wounded by the "character issue".

His supporters insist that Mr Clinton does not need to win New Hampshire to remain a viable candidate, but they have yet to find a way to inoculate him against further allegations of marital infidelity. And other Democratic candidates have begun to smell blood.

Senator Bob Kerrey of Nebraska, the Vietnam war hero whose campaign remains stalled in third place behind Mr Tsongas and Mr Clinton, said on Monday: "One of the worst attributes of politicians is when they begin to feel sorry for themselves."

The latest opinion polls suggest that one in two voters in New Hampshire remain undecided. So far Mr Tsongas has escaped attack; but now he is jockeying with Mr Clinton for the lead in the Democratic pack, it is only a matter of time before he comes under the same scrutiny as Mr Clinton.

Washington delays guarantee payments on BNL loans to Iraq

By Alan Friedman in New York

THE US government is holding up the reimbursement of \$550m (\$191m) in export credit guarantees on loans made to Iraq by the Atlanta, Georgia, branch of Italy's Banca Nazionale del Lavoro (BNL).

The delay, according to a senior US official, is related to the forthcoming trial of several BNL Atlanta officials who have been charged with fraud in connection with more than

\$4bn of improper Iraqi loans.

The trial, which will include Mr Christopher Drogoul, the former BNL Atlanta branch manager, is likely to be delayed from March 2 until June, not to give defendants more time to prepare.

BNL's Atlanta branch provided crucial funds to Iraq, including about \$2bn that helped to finance Mr Saddam Hussein's nuclear missile and

chemical weapons projects.

The \$550m of BNL loan guarantees - which were supposedly made to support US farm exports to Iraq - are part of some \$1.9bn of US-backed loans that Iraq has defaulted on.

A spokesman at the Commodity Credit Corporation (CCC), which guaranteed the Iraqi loans, said the matter "is being evaluated at the highest levels of our department."

Menem to assure Europe of Argentina's growth potential

By John Barham in Buenos Aires

PRESIDENT Carlos Menem of Argentina is describing his visit to Europe this week as a publicity offensive "to ensure that the Europeans why Argentina has become a country of stability and growth".

He is anxious to dispel doubts about the depth and sustainability of sweeping economic liberalisation that reduced inflation and helped the economy grow 5 per cent last year.

Monthly inflation, which had fallen to 0.6 per cent in December, rose to 3 per cent in January, threatening an economic strategy that seeks to hold inflation down to international levels.

Mr Menem's trip, during which he will not sign any significant agreements, will include his first official visit to the European Community

headquarters in Brussels tomorrow. It will end in Paris next Tuesday after Mr Menem meets President Francois Mitterrand.

He is unlikely to make headway in Argentina's overriding trade dispute with Brussels: the Community's subsidised farm exports. Cheap Community exports have undercut Argentina's grain and beef exports.

None the less, Argentina clearly wants to develop its trade, investment and political ties with the Community. The EC is Argentina's largest trade partner, buying \$3.7bn worth of Argentine goods in 1990, almost one-third of its exports.

Moreover, Mr Menem wants to convince European multinationals to invest in Argentina and take part in its privatisation programme. So far it has

only attracted second-rate European state-owned companies, which now run the national airline and telephone network.

Argentina plans to sell control of all its state companies for \$3.5bn by the end of this year and is determined to attract a better class of investor. Mr Menem also intends to realign foreign policy, which he tilted heavily towards Washington after taking office in 1989, reversing Argentina's traditionally pro-European policy.

Mr Menem said: "Our relations with Europe have always been excellent, while our relations with the US used to be terrible, so everyone thinks our policies privilege them and maybe the Europeans are upset about that."

IMF will back \$250m credit, says Manila

THE International Monetary Fund will approve resumption of the remaining \$250m (\$138m) of a standby facility in support of the Philippines' economic stabilisation programme, it was claimed in Manila yesterday. Jose Galang writes from Manila.

President Corason Aquino said the IMF management was circulating a staff report on her government's request for the financial support among its executive board. Mr Jose Cuisia, central bank governor, said approval by the IMF executive board in early March would be a formality.

IMF approval should trigger separate talks with Manila's commercial bank creditors on restructuring \$5.3bn debt, and with the Paris Club of donor countries and multilateral financing institutions in March.

Hostages held in Algerian mosque

Killers of two Algerian policemen were holding hostages in a mosque in the town of Bordj Menaïel and were surrounded by security forces, Algiers radio said yesterday. Reuter reports from Algiers.

The policemen were stabbed to death on Monday by the companions of a man they had arrested. Security forces mounted a massive hunt for the killers and for gunmen who ambushed and killed six policemen earlier in the day in the Casbah, the old heart of Algiers.

Japanese gunman surrenders

A man armed with a Japanese sword and a gun forced his way into Prime Minister Kiichi Miyazawa's party office yesterday morning and reportedly demanded that the cabinet resign. AP reports from Tokyo.

After firing a shot and holding up in the empty fourth-floor office for nearly seven hours, the gunman surrendered to police, authorities said. There were no injuries.

US cuts Taiwan textile quotas

THE US is cutting its quota for imports of Taiwanese textiles to prevent companies illegally shipping Chinese and Vietnamese textiles to the US market, officials said, Reuter reports from Washington.

The Taiwanese quota will be cut by 52m sq metres this year from last year's quota of 1.36bn sq metres, officials of Taiwan's Board of Foreign Trade said. In addition, Taiwan will donate 80m sq metres of its quota to Turkey, the officials



President Akbar Hashemi Rafsanjani, centre, leads millions of Iranians to the Azadi Square in Tehran yesterday to mark the 14th anniversary of the Islamic revolution

Kuwait pact lifts UK sales hopes

By David White, Defence Correspondent

A UK-KUWAITI defence agreement signed yesterday should produce "valuable orders for British industry", according to Mr Tom King, British defence secretary.

He indicated that he had discussed supplies of equipment including Vickers Challenger 2 tanks and GKN Warrior armoured fighting vehicles.

Kuwait is also thought to be interested in naval vessels from the Vosper Thornycroft shipyard, which is supplying minehunters to Saudi Arabia.

Vosper is part of a British consortium with the construction companies Taylor Woodrow and Wimpey which has been selected to rebuild and upgrade Kuwait's main naval base. This contract alone is expected to be worth up to £200m.

Kuwait is awaiting delivery of 16 Tucano trainer aircraft from Short Brothers which it bought before the 1990 Gulf crisis and is thought to be interested in British Aerospace Hawk jet trainers.

However, UK hopes of orders totalling some £1bn are tempered by the certainty of strong competition. Sheikh Ali Salah al-Salem al-Sabah, the Kuwait defence minister, said yesterday a similar defence pact was planned with France and other countries. One has been concluded with the US.

Plan for power plant goes ahead

By Sheila Jones in Kuwait City

THE KUWAITI government is going ahead with plans to build a \$1.8bn power plant - its biggest building project since the Gulf war ended a year ago.

Mitsubishi of Japan, the lead contractor, is likely to supply boilers and turbines worth about \$1bn. It has been in delicate talks with the Kuwaiti government over the cost of the deal, which is expected to be finalised in the next few months.

Mr Ahmed al-Adnan, minister for electricity and water, said yesterday the government had already committed a substantial amount to the project, including a \$500m advance payment to Mitsubishi. Agreement had been reached with a group of Turkish companies to build the plant's foundations, roads and other installations.

Kuwait's power stations were severely damaged during the Iraqi occupation. The government has decided against repairing one of its five plants, which was virtually destroyed. Repairs to the other four have so far restored less than one-third of Kuwait's pre-war capacity of 7,200MW.

On security issues, the premier said India held to its rejection of a proposal for its nuclear regional talks on nuclear weapons, insisting it was only sensible to talk about nuclear disarmament in a global context.

"We have an action plan from 1988. We adhere to that, and say that with necessary modifications it should be adopted. From one country to another, there may be a difference in the timeframe of bringing down arsenals, but eventually the objective should be absolutely clear that it is to be total and complete disarmament."

Pakistan fends off militants

By K K Sharma in New Delhi

THE Pakistani army yesterday stopped Muslim militants crossing the ceasefire line in the disputed state of Kashmir, averting a flare-up in which Indian and Pakistani defence forces could have been involved.

Members of the Jammu and Kashmir Liberation Front (JKLF) came as close as 1 km to some parts of the ceasefire line in their threatened attempt to cross it yesterday, but most were prevented from getting anywhere near.

Observers from the Indian side of the line saw small groups of JKLF volunteers pushed back at many points, and officials in New Delhi reported no one had got across.

There were reports that the JKLF would make another attempt today but Indian officials do not take these seriously. This is because Pakistan has conveyed to the Indian government that no crossing would be permitted.

Commanders of the two armies were in constant touch with each other to ensure that any attempt at crossing the line did not escalate.

Mr S.B. Chavan, Indian minister for home affairs, expressed his satisfaction at the turn of events, including Pakistan's "positive approach" in preventing the militants crossing.

Indian PM reassures on reform pace

By Ian Rodger in Zurich

INDIA will persist with economic reforms and the opening of the economy to the world market, according to Mr P.V. Narasimha Rao, the prime minister.

In an interview during a visit to Switzerland, Mr Rao dismissed doubts over the pace of reform and said the direction was irreversible.

He also brushed aside criticism that he had pulled back from rapid rationalisation and privatisation of the bloated public sector. "It is a limited problem. We have got over many problems of this kind, and this too will be no exception."

However, he was frustrated that Indian officials and trade unions had been alarmed by aspects of the rapid privatisation process in Pakistan.

"I do not know what privatisation means. If it means that we give full scope for private enterprise to come in, I have no difficulty on that. Instead of talking about a word, it is better to talk about substance. The substance consisted of throwing areas open to the private sector."

On security issues, the premier said India held to its rejection of a proposal for its nuclear regional talks on nuclear weapons, insisting it was only sensible to talk about nuclear disarmament in a global context.

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Donors agree \$825m in aid to Sri Lanka

By Mervyn de Silva in Colombo

SRI LANKA'S donors and the World Bank have pledged \$825m (\$496m) in aid for 1992. "We requested \$800m," said Mr D.G. Wijetunge, the prime minister, who is also the minister of finance, after his return from the annual Paris meeting of donors. Japan led the league of donors, followed by the World Bank and the US.

Three EC countries and Canada in particular were critical of the government's human rights record, but the visit of a Canadian parliamentary team, Canada had argued for a cut or suspension of aid as in the case of Kenya, where aid has been deferred for six months. However, the World Bank's view that the government has made a serious attempt to address human rights issues was endorsed by the leading donors, the IMF and the Asian Development Bank.

The World Bank report

stressed that an end to the decade-long war against separatist Tamil rebels was crucial for economic growth.

Sri Lankan growth, which exceeded 6 per cent in 1990 was 5 per cent last year. This compares to 3 per cent in the previous three years.

Recent policy reforms have yielded results, the report added. Inflation has fallen from 20 per cent in 1990 to 9 per cent. The rapid growth of non-traditional exports has offset the impact of lower tea prices. Garments and gem stones are now top exchange earners.

While commending the government on its privatisation programme and cuts in the budget of a huge civil service, the report urges reforms in the plantation sector (tea, mainly) and two large state banks. Opposition and trade union protest on both issues is mounting.

SNC move on Bangkok Skytrain project

By Robert Gibbins in Montreal

SNC, Canada's biggest engineering group, with Japanese, German and Thai partners, will build a 30km Bangkok Skytrain transport project.

SNC will be a small equity partner in the Skytrain consortium and provide design and engineering services worth nearly \$50m. Bombardier will build the hardware based on Vancouver's Skytrain.

The 40km Bangkok system, due in operation in 1997, will have 37 stations, and some preparatory work has already begun. The cost has risen more than \$500m since the original bid in 1988. Since then the Thai government has changed and Lavalin, the original Canadian consortium member, went bankrupt.

Amazon destruction blamed on first world

By Christina Lamb in Rio de Janeiro

THE EIGHT Amazonian Pact countries have signed a charter which demands financial and technological help from the industrial world for environmental protection and blames developed countries for environmental degradation.

Known as the Declaration of Manaus, it spells out their joint position for the Earth Summit to take place in Rio in June. Its tough language seems a further indication that the conference will turn into a showdown between the developed

and developing worlds. "The solution of environmental problems is intimately linked to a new attitude of international co-operation, which means increased financial resources, greater access to technology, augmenting trade flow and measures to resolve the foreign debt problem," the accord said. It was signed during a meeting in Manaus of presidents or representatives of Brazil, Colombia, Bolivia, Ecuador, Guyana, Surinam, Peru and Venezuela.

The document pledges the countries to preserve the Amazon, the world's largest rain forest, but insists that they will not accept first world conditions. Brazil's paper rejects any international monitoring of the Amazon and calls for a global World Bank administered environment fund.

During the opening ceremony, Brazil's President Fernando Collor de Mello lashed out at the "super-rich" nations which, he said, were "embarrassed but still not penitent for the damage they are doing to the planet, themselves and future generations."

● Brazilian monthly inflation hit almost 26 per cent last month - its highest level for almost two years. The figure, released by São Paulo university, was a disappointment to Economy Ministry officials who had been hoping that their continuing tight monetary policy would result in a stabilisation around the December level of 23.25 per cent.

Beijing group drops BCCHK plan



BEIJING-controlled China Resources has dropped plans to participate in a consortium which is taking over

and Commerce Hong Kong (BCCHK), acting general manager Li Liangxi said, Reuter reports from Hong Kong.

Li said: "We will continue to study our future strategies for developing banking business." She declined to give reasons for the decision.

subsidary of Bank of Credit and Commerce International, led by The Hongkong Chinese Bank, has been persistently delayed by snags centring on an expected Abu Dhabi guarantee for unrecorded liabilities.

China Resources, which has diverse Hong Kong holdings, had shown interest in taking a 30 per cent stake in the consortium which agreed to buy BCCHK's assets and record liabilities from the government last November.

No-one would comment at Hongkong Chinese Bank, part of Indonesia's Lippo Group. Last month, provisional liq-

uidated Mr Noel Gleeson said he "doubted" the new bank would open before July, several months later than originally hoped.

On Monday Hong Kong's High Court adjourned a hearing on the bank's liquidation for 21 days to allow Mr Gleeson more time to pull the deal together.

A guarantee for unrecorded liabilities from the Abu Dhabi government, BCCHK's major shareholder until the Hong Kong government closed it last July, is central to the rescue plan but it has still not been made.

UK NEWS

Government proposes new training credits

By David Goodhart and Ivor Owen

THE GOVERNMENT has supplemented its original plans for another round of restrictions on trade unions with a "United Kingdom Social Charter" stressing rights for the individual at work and new training opportunities.

The main piece of new legislation planned in the employment policy paper, published yesterday, requires that individual employment contracts give employees more details of their terms and conditions.

There are also plans to make poaching of skilled workers more difficult by encouraging legally enforceable contracts which would allow employers to recoup some of the cost of training if a worker left within a certain period. In

both areas the government will consult before legislating.

In the field of training the main new ideas are to extend the credits concept to careers advice for adults in work wishing to expand their employment opportunities and to provide "open learning" vouchers, in conjunction with libraries, for the unemployed.

Mr Michael Howard, employment secretary, told the House of Commons, that the training proposals would be paid for out of existing budgets.

The report is a sustained argument against the employment proposals of the opposition Labour Party and the European Community Social Charter.

"Our approach is a lightly regulated, decentralised and flexible approach. The alternative is to follow a more centralised and regulated model which prefers the collective or corporatist approach," says the policy paper.

However it implicitly acknowledges the impact of Labour's accusation that the Conservative employment agenda was merely negative "union-bashing". Many of the original discussion paper proposals are still there: union members right to join the union of their choice regardless of the Trade Union Congress ruling; a right to more financial information about unions (including salaries of top officials); and protection for union members from abuse of

"automatic check-off" of union dues.

The policy paper stresses the superiority of individual dealings with employers rather than "distant negotiations between employers and a trade union", hence the new detail that employers will probably have to provide in employment contracts. That detail goes beyond what is required through adoption of the EC's Directive on Proof of Employment Relationships.

Mr Howard said that he expected that poaching employers would "buy-out" an employee from a contract. In this and other areas where individual contracts will become more important, the white paper envisages a greater influence for industrial tribunals.

BRITAIN IN BRIEF



Motor trade overturns £167m deficit

The UK motor industry achieved a quarterly trade surplus in the final three months of 1991 for the first time since the early 1980s.

According to figures released yesterday by the Society of Motor Manufacturers and Traders (SMMT) the motor industry trade balance showed a surplus of £121m in the final quarter last year compared with a deficit of £167m in the same period a year earlier.

The rapid improvement in the last two years — a major factor behind the reduction in the overall UK trade deficit — has been driven both by the recession, which has sharply depressed imports of new cars and commercial vehicles, and by the industry's strong car export performance.

The SMMT warned yesterday, however, that there were "clear signs that the big growth in exports which took place last year is coming to an end."

GEC Alsthom to shed jobs

GEC Alsthom, the switchgear company, has told unions that it wants to shed a further 157 jobs from its Manchester factory in a move that will complicate a dispute which has already led to a six-week strike by 430 workers.

The stoppage was launched at the start of the year after the company said it was making some workers compulsorily redundant as part of a reduction of 95 in the 630-strong workforce.

The strikers will be told by unions today of the management's plans to seek a further cut of 157 in the workforce.

Safeway creates 2,000 new jobs

Safeway, the UK supermarket chain, announced it was creating 2,000 new jobs. The news follows reports that one of its main rivals, Gateway, could make up to 3,000 people redundant.

Safeway said the extra staff would be taken on during the next two months at nine new supermarkets, mostly located in town centres.

The news came a day after the shopworkers' union Unswag warned that up to 3,000 staff at Gateway could lose their jobs because of falling sales.

Military land underused

Britain's Audit Commission, the watchdog body which reports to parliament on the use of public funds, has issued a report saying land owned by



Ann Taylor, the opposition spokeswoman on the environment, announces the Labour party's policies on women's issues. Speaking at a press conference in London, she joined Labour leader Neil Kinnock in launching *Woman Today*, a magazine calling for improved employment opportunities and better child care facilities. The magazine, the first of its kind for a political party, will be distributed primarily in areas where Labour hopes to wrest control from the Tories in the forthcoming election.

the Ministry of Defence is underused for training soldiers.

"The department's view is that there is a significant shortfall of army training land," it says, "but the National Audit Office's examination of the limited information available suggests that existing capacity is under-utilised."

Five out of eight training areas and 10 out of 11 firing ranges analysed by the NAO were used for less than 80 per cent of the available time, and even then the facilities were often employed less intensively than they could be.

Power station plan approved

Thames Power, the independent electricity generator, has won planning consent for its project to build a 1000MW power station on the banks of the Thames at Barking Reach, London.

Thames Power is jointly owned by BICC, CU Power of Canada, and the merchant bank J Henry Schroder Wagg. Three regional electricity companies — Eastern Electricity, London Electricity, and Southern Electric — have equity stakes in the Barking Reach project, which will cost £561m to build.

Ford considers moving HQ

Ford, the US car maker, said that it has considered moving part of its Ford of Europe headquarters staff away from the UK as part of its current restructuring programme.

It had no "definite plan" to press ahead with such a move, however, and in a statement to staff it insisted that "no deci-

sions have been made to move any activity at this time."

Ford said that recent "allegations" that it was planning to move its engineering activities out of the UK and into Germany were "absolutely untrue".

Airport radio off the air

Airport Information Radio, the commercial radio station serving Heathrow and Gatwick airports with news and flight information has handed back its licence.

The station was awarded a contract by the Independent Broadcasting Authority in July 1989 and went on-air in June 1990. It was one of 23 "incremental" licences awarded by the IBA before responsibility for commercial radio passed to a new regulatory body the Radio Authority.

The airport radio station is the second incremental station to go off the air. The first was East End radio in Glasgow.

Junk cargo to be auctioned

Christie's, the UK auction house, is to auction the cargo of an Asian trading junk, which sank a hundred miles off the coast of Vietnam in the 1890s, in Amsterdam in April. The cargo consisted of around 28,000 pieces of export porcelain produced in China for the European market.

Christie's expects to raise £1.5m from the auction. Most of the money will go to the Vietnam Salvage Corporation, an agency owned by the Vietnamese Government, which asked Christie's to dispose of the porcelain.

Major wins backing for Ulster talks

By Ralph Atkins

MR JOHN MAJOR succeeded last night in using a meeting he had called on security in Northern Ireland to reopen efforts to start "round-table" talks on the province's political future.

Unionist and nationalist leaders agreed to discuss, without ministers, how obstacles to formal talks — which had been postponed until after the general election — could be overcome.

The outcome of nearly two hours of talks was described by Downing Street as a "modest but significant breakthrough". But the agreement was, in effect, no more than a promise to "talk about talks" with little tangible to suggest they would be more successful than past efforts to start formal negotiations by Mr Peter Brooke, Northern Ireland secretary.

Mr Major called the meeting following the steep escalation in terrorist violence in Northern Ireland. He also appeared swayed by claims that by putting political talks into abeyance, the government was creating a political vacuum which could be exploited by terrorists.

"The meeting needed to make progress to show that



Troop movement demonstrators calling for British soldiers to quit Northern Ireland staged a protest near Whitehall in London yesterday. At the same time an unexploded bomb was found in a nearby phone kiosk after a warning.

politics can work," said a senior official. The prime minister has also agreed to meet shortly with Mr Albert Reynolds, the new Irish prime minister.

Mr James Moynihan and the Rev Ian Paisley, the two Unionist leaders, appeared impressed at Mr Major's per-

sonal intervention, even though only a part of the meeting was devoted to their concerns on security. Downing Street said interment, the Ulster Unionist's central demand, was not discussed.

Mr Moynihan described the Mr Major's role as an "enormous help". Dr John Alderdice,

leader of the cross community Alliance party, said, "the prime minister is bringing the whole weight of the government behind the problems of Northern Ireland."

Mr John Hume, leader of the nationalist Social Democratic and Labour Party, said the talks were "positive". The lead-

ers were also unanimous in deploring terrorism by both loyalist and republican terrorists.

Mr Brooke put his initiative on hold last month because of disputes over what would happen if talks coincided with a change of government.

BANK OF ENGLAND QUARTERLY BULLETIN

Further decline puts chances of recovery at risk

By Peter Norman, Economics Correspondent

THE Bank of England still believes the UK economy will recover this year. But its latest quarterly bulletin offers very little evidence that optimism is at hand. Indeed, it stresses that the outlook is surrounded by risks, especially in connection with the private sector's high level of debt.

Six months ago, the Bank said the UK economy was "bumping along the bottom" of recession.

Instead, manufacturing output has continued to decline since the summer. Service sector output, which appeared to stabilise in the third quarter, might have been displaying a "false dawn".

About the only signs of recovery identified by the Bank are the leading indicator measures compiled by the Central Statistical Office. These, it says, "point firmly to an upturn in output in the course of 1992".

The UK's leading indicators,

however, have yet to be taken seriously by most City analysts or private sector economists.

Perhaps because the budget and a general election are in the offing, the bulletin offers no new ideas about policies which might help boost the economy.

It is cautious about the prospects for an early cut in interest rates, noting that recent changes in the exchange rate mechanism of the European Monetary System "have made further easing of monetary policy difficult".

The bulletin contains a guarded warning to Mr Norman Lamont, the chancellor of the exchequer, not to indulge in too expansionary a budget or adopt short term palliatives.

It notes that fiscal policy is already playing a role in reviving the economy through the automatic stabilisers and December's decision to suspend temporarily the levy of stamp duty on house pur-

chases. "But the basis for sustainable growth remains a credible commitment to the ultimate goal of price stability. This is bolstered by membership of the ERM and a medium-term target for public spending and borrowing."

In its analysis, the Bank says two factors have frustrated earlier hopes of a recovery.

● Prospects for growth in the world economy "have deteriorated sharply over the last quarter". The Bank now expects growth in Britain's six major trading partners to fall to around 2 per cent this year from 3 per cent previously.

● Domestic business and consumer confidence has fallen. The Bank believes consumer confidence may have been adversely affected by sterling's membership of the ERM as individuals realise that monetary expansion and devaluation are no longer options.

The high level of household debt may be an additional brake on confidence in the circumstances of ERM membership and low inflation. Consumers may be less ready than before to borrow to finance higher spending because the principal of the debt will stay high in real terms and new debt will be relatively costly to service.

The weakness of the housing market could also be sapping confidence while consumers' expenditure also might stay depressed if house prices fall further and turnover — which is at its lowest level since 1977 — stays low.

Also affecting confidence is electoral uncertainty and the associated worries about future taxation.

The Bank believes that consumption was flat in the second half of last year because total income from employment has been flat or falling in real terms since mid-1990. A rise in the volume of consumption will require a fall in the

savings ratio, it says. But although the ratio fell in the third quarter, it is not yet clear that it is firmly on a downward path. Indeed, such a development would probably require "a clear and sustained improvement in consumer confidence", the Bank adds.

Falling inflation is one of the few bright spots highlighted in the bulletin. The Bank also argues that the narrowing of regional disparities in house prices and unemployment should assist labour mobility and improve the quality of the eventual recovery. In addition, it says there is no sign of a credit crunch in the UK and that banks should be able to provide sufficient credit to fund the recovery when it finally appears.

Bank of England Quarterly Bulletin, February 1992, Vol. 32, No. 1. Subscription details from Bulletin Group, Economics Division, Bank of England, London, Lex, Page 12

Complaints to UK gas regulator increase by 130%

By Deborah Hargreaves

THE number of serious complaints to Ogas, the gas industry regulator, rose last year by 130 per cent, Sir James McKinnon, the body's director general, said yesterday.

He stressed, however, that this had more to do with the effectiveness of the regulatory regime and growing expectations of service standards among consumers rather than any deterioration in British Gas's performance.

Ogas's annual report detailed 858 complaints compared with 366 the previous year. Most were due to payment problems.

"The number of complaints we see is the tip of the iceberg — people come to us as a last resort," Mr McKinnon said. "But customers are increasingly aware of their rights and are more confident about seeking redress."

British Gas said 408 complaints had been referred by Ogas to the company.

Commenting on the figures, which represent one complaint for every 45,000 customers, Mr Cade Brown, senior managing director at British Gas said: "We have a good record but are not complacent and must continually strive to improve."

Mr Ian Powe, director of the Gas Consumers Council, said he had seen complaints rise by five per cent over the year to

28,398. "British Gas has a way to go, but is doing an extremely good job in increasing its standard of service to customers," he said.

A scale of service standards is also due to be included in the new gas tariff formula which will come into effect in April.

The government, meanwhile, plans to introduce competition for domestic gas supplies by 1998. Before that, British Gas must reduce its market share of the industrial market to 40 per cent through the release of gas supplies to rivals.

Mr McKinnon said talks on the release of gas supplies were proceeding slowly and he raised the possibility that British Gas could still be referred to the Monopolies and Mergers Commission if it failed to agree details quickly.

He said gas should be released to the market in a controlled way which can be clearly monitored.

"We have to make certain there is no unfair pricing...and that competitors can get their gas through British Gas's pipeline system unimpeded."

At present, nine companies supplying 1,900 customers are in competition with British Gas and they hold roughly a 10 per cent share of the overall industrial market.



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But the ultimate prize is worth it: a Europe where a thousand different faces become a single force. 1992 is the year when the European Community hosts the Olympic Games, and honours the idea upon which they were founded: the uniting of peoples.



THE EUROPEAN COMMUNITY: MORE IS POSSIBLE WHEN YOU PURSUE THE SAME IDEA

UK NEWS

COLLAPSE OF THE SECOND GUINNESS TRIAL ■ RAYMOND HUGHES ON THE CASE THAT BROUGHT A CITY FINANCIER CLOSE TO BREAKDOWN

Case unravels as judge finds Seelig too ill for trial

THE UNPRECEDENTED - though not unexpected - collapse of the second Guinness trial has created a situation that is unsatisfactory for all concerned.

The judge's decision to discharge the jury, because of concern about Mr Seelig's health, means that the charges against the former merchant banker remain on the file. In theory, they could be reactivated if he later becomes fit to stand trial again, but that is unlikely.

The result is that Mr Seelig, who has throughout declared his innocence, has virtually no hope of a verdict that would clear his name.

By the same token, the Serious Fraud Office will be unable to establish its claim that Mr Seelig was guilty of criminal involvement in the share support operation mounted by Guinness during the 1986 takeover battle for Distillers.

Lord Spens, Mr Seelig's co-defendant, is faced, at least for the next week, with the possibility that he will have to go through the whole process again in a new trial.

For the eight women and four men of the jury, the past four and a half months have been wasted, while the administration of justice has suffered through a situation with which, it would appear, it has no way of coping.

That situation derives from Mr Seelig's decision two years

ago that, having by then spent several hundred thousand pounds on legal advice, he could no longer afford legal representation. He also concluded that he could not afford the probable contribution he would be required to make as a condition of legal aid, and that he therefore had no option but to conduct his own defence.

His early performance was impressive. He had a detailed grasp of his brief - he, of course, knew more about the events at issue and the inner workings of the City than anyone else in court - and he quickly picked up the technique of cross-examination.

One feature of his advocacy was its informality: his questioning of Mr Olivier Roux, an old friend and former Guinness finance director who was the first prosecution witness, turned into a sort of "Olivier and Roger" show, as the two addressed each other by their Christian names.

Central to the case were allegations of Guinness share support being given in return for closed indemnities against loss, which the prosecution claimed was unlawful.

Mr Seelig brought out evidence of a number of instances of unchallenged non-disclosure of such indemnities during other takeovers at around the same time. He also succeeded in eliciting evidence favourable to his defence from a number of prosecution witnesses.

It became clear however, that, notwithstanding Mr Seelig's undoubted abilities, the fact that he was acting as his own advocate was inexorably lengthening the trial: he was taking far longer over cross-examinations than a professional advocate would have done.

The basic problem was that he did not know when to stop. He was understandably anxious to get the most out of every witness, and this led him to repetition, a too-great concern with minutiae, asking multiple questions which then had to be broken down, and asking questions that the particular witness was not in a position to answer.

Time and again, Mr Justice Henry - who throughout granted Mr Seelig an indulgence far beyond that which would have been allowed to a barrister - had to tell him that a particular witness could not deal with certain matters and that there would be other witnesses who would be better able to answer the questions.

For many weeks, the prosecution too was noticeably overbearing. Miss Elizabeth Gloster QC made far fewer objections to Mr Seelig's cross-examination methods than she would have done had her opponent been a barrister. As time went on, however, her protests became more frequent.

Mr Seelig would become frustrated and prone to emotional outbursts - that he was



Lord Spens, (centre), Roger Seelig's co-defendant, arrives at court yesterday with his solicitor Guy Wadsworth (left), and assistant David Lake

not a lawyer, that he was doing his best, that he had a right to defend himself and that the judge was being unfair.

It also became noticeable that Mr George Devlin, a friend of Mr Seelig who since last spring has devoted his time to helping him prepare his case, and frequently sat with him in court, was increasingly having to try to exert a restraining

and calming influence.

Apart from the strain and frustration Mr Seelig was experiencing in court, he was setting himself a punishing schedule, having only a few hours sleep between long hours of preparation for the next day's hearing.

On December 2, the judge told the jury that the trial would not, as had originally

been expected, and around Christmas but would last at least until Easter.

The hearing adjourned for Christmas on December 20. Between then and last Monday, the proceedings before the jury progressed by less than four days. Nearly a week was lost because Mr Seelig, who had been receiving medical treatment, was suffering side-effects

from an anti-depressant he had been prescribed. A juror's illness delayed the trial for more than a week.

On January 23, matters came to a head. Mr Seelig's most emotional outburst to date crystallised growing doubts about his ability to continue - and the justice or humanity of requiring him to do so.

It had become clear that if

the trial continued to proceed at the same pace - only 10 of about 80 potential prosecution witnesses had given evidence - it would last at least until the autumn. Then, on Monday, the judge heard evidence from two psychiatrists that made it inevitable that the trial would have to be halted. Editorial comment, Page 10 Background, Page 11

Strain on defendant gave court cause for concern

EVIDENCE from two consultant psychiatrists confirmed Mr Justice Henry's concern - which had been growing since quite early in the trial - about Mr Roger Seelig's ability to continue to defend himself.

When he discharged the jury yesterday, the judge was at pains to give them a detailed account of the doctors' evidence which, he said, showed that Mr Seelig might do "something irreparable" if he tried to continue.

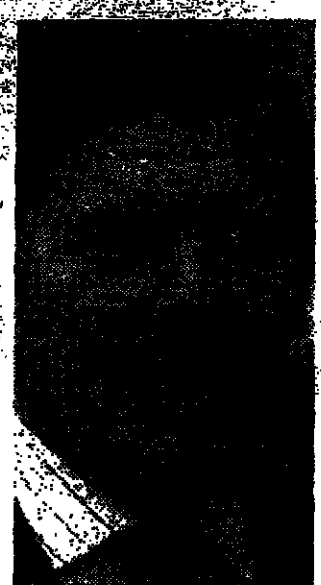
"The strains on him have been enormous and have proved too much. His mental condition reached the point where it is no longer possible for him to conduct his defence adequately."

The judge spoke of emotional outbursts from Mr Seelig, including one "hysterical outburst" on January 23.

He gave jurors a transcript of that occasion which, he said, showed "a man at the end of his health, bewildered at his loss of control and his inability to think straight, wondering whether his mental state is to blame, recognising that he seems to have gone funny yet insisting that he was all right and could go on."

The court tape recording, which the judge said the jurors could listen to in their room, was "even more poignant", he told them.

The psychiatrists believed, as did the judge, that that "panic reaction" had been genuine.



Roger Seelig: pulled off a string of high profile deals

The psychiatrists also believed that a slight stroke Mr Seelig had in 1990 might be a factor in his difficulty in controlling his emotions.

The judge said that last November he had recommended that Mr Seelig seek regular medical help. Mr Seelig had replied that because of carrying out his own defence he was very short of time.

"Prophetically and significantly", Mr Seelig had not wanted to have the trial stopped because of his medical condition.

The psychiatrists' opinion was that Mr Seelig was suffer-

ing from agitated depression accompanied by high anxiety. The effect had been to render him incapable of sustained concentration and accounted for his lack of mental clarity and impaired judgment and comprehension.

Mr Seelig had described himself as feeling "detached or distant" when not actively involved in cross-examination and as having difficulty in following what was going on.

He had been acutely conscious of the conflict between his desire to continue with the case until verdicts had been reached and his fear of doing himself permanent mental damage if he continued.

On February 4 Mr Seelig had told one of the psychiatrists: "I have come to the end of the bloody road and don't like admitting it. I have tried as best I can but the mountain is too high."

The judge said he had explored with the psychiatrists a number of possibilities to enable Mr Seelig to continue defending himself.

They included giving Mr Seelig periodic breaks of up to a month at a time. But one of the psychiatrists had warned that although that might offer Mr Seelig temporary relief there was a risk it would lead him to do something irrevocable.

The judge said: "In these circumstances it seems to me that discharging you from giving verdicts in the case of Mr Seelig is quite inevitable."

Whizzkid handled bids of the decade

MR ROGER SEELIG's experiences exemplified the 1980s boom years in the City of London, Neil Buckley writes.

As a flamboyant corporate finance director at Morgan Grenfell, the merchant bank, he masterminded some of the biggest takeover bids and corporate deals of the decade. He also helped to make Morgan Grenfell the City's top takeover bank, involved in bids worth £13.5bn in one year, at its peak in 1986.

He was well-rewarded for his efforts, earning more than £200,000 a year when six-figure salaries were rather less common than they are today and gaining the nickname "Mr Gucci shoes" through his expensive taste in clothes.

Like many of the 1980s generation of city whizzkids, he had a reputation for living fast and working fast, often conducting business over a mobile telephone from his Porsche or seat at the opera.

"He had a very high opinion of himself," said one former colleague. "But he was very able - one of the very best corporate financiers of his generation."

Mr Seelig joined Morgan Grenfell in 1971. He became a corporate finance director in 1979.

In just seven years he transformed the fortunes of Morgan Grenfell, and the grey image of merchant banking.

He pulled off a string of high-profile deals, helping Distillers, the high-street electrical retailer, to take over arch-rival Currys; building up Sir Terence Conran's Habitat/ Mothercare/British Home Stores retailing conglomerate; launching the Underwoods chemicals chain; and advising Mr Richard Branson on the flotation of the Virgin group.

The Guinness bid for Distillers was to be the peak of his career. Mr Seelig played a leading role in persuading Mr Saunders to launch the bid, and in devising a way of side-stepping the bid's referral to the Monopolies and Mergers Commission.

But his career was to come to an abrupt end when he resigned in December 1986, four weeks after inspectors from the Department of Trade and Industry launched their investigation into the Guinness affair.

Trial by ordeal

■ Speaking to the Financial Times, Roger Seelig said: "I think we have conducted this defence very well and it is a great disappointment to me not to be able to finish it... I haven't been beaten by much in my life."

■ "What I have really had to recognise is that the physical task was just too great. There's a limit psychologically. It's a disturbing being in an endless tunnel."

■ "The expenses are quite beyond any salaryed employee. To have been represented by a full legal team over the past two and a half or more years would have cost £2m."

■ "I reached a point of physical and mental exhaustion. I suddenly realised it was getting worse rather than better. There was no respite from the work and it was going from bad to worse."

■ "The financial world is absolutely in my blood and one way or another, whether as principal or consultant or whatever, I shall have to find a way of participating in it."



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BREAKDOWN



Assistant David Lake

THE LLOYD'S INSURANCE MARKET

Outhwaite result spurs claims

By Richard Lapper

YESTERDAY'S £116m out-of-court settlement in the Outhwaite case represents a decisive victory for the 987 Lloyd's Names involved in the legal action.

It is likely to encourage further action by other Names - the individuals whose capital backs the market - who are facing some of their worst losses in the 300-year history of the insurance market, the world's biggest.

One Outhwaite Name said: "The message for other action groups is that if you've got a good legal team you've got a chance of getting your money back". Names took action to recover some £125m in insurance losses stemming from 32 reinsurance contracts assumed by the underwriter of Lloyd's syndicate 817/861, Mr Richard Outhwaite, in 1982.

The Names allege that Mr Outhwaite's decision to reinsure the liabilities of other insurers from the exposure to US legal awards to the victims of asbestos was negligent.

The Outhwaite action is one of six legal cases in which Names alleged that losses arose because of the negligence of agents in four cases, and the Corporation of Lloyd's in the other. Four of the cases involving Pulbrook syndicates 90 and 384, Poland 105 and 108 and four Oakley Vaughan

syndicates are unsettled.

The Outhwaite result may spur others to join action groups. Mr David Tiplady, of solicitors DJ Freeman, who is acting for about 1,000 Names in three actions involving Pulbrook and Poland Names says that at the end of last week 280 of the 570 Names on Pulbrook 384 in 1985 were party to an action against Lloyd's agents. In addition 330 of the 478 members of Pulbrook 90 and only about 350 of more than 900 Names who were members of Poland syndicates were backing actions.

Following the Outhwaite settlement, Mr Tiplady says he has been "flooded" with calls and confidently expects these numbers to increase. At the same time, Names on other loss-stricken syndicates who have not yet taken action "not to be discouraged to do so. One managing agent at Lloyd's said yesterday "the writs are going to flow in like confetti".

The main concern for the authorities at Lloyd's must be the position of several thousand Names on syndicates managed by Feltrim, Gooda Walker, Devonshire and Ross Thomson Young. These specialists in catastrophe reinsurance and face losses of over \$500m as claims roll into the market from the series of natural disasters between 1987 and

1990.

Some of the Names have already formed action groups and legal action is an option, especially if the internal Lloyd's reports into the losses are not accompanied by moves to compensate Names for their losses.

One of the main factors influencing the possible success of any of these actions would appear to be the availability of errors and omissions insurance for affected agents.

In the Outhwaite case, the decision of the E&O underwriters, who cover insurers against the cost of legal awards for negligence, is understood to have been a decisive factor, but it is unclear whether E & O underwriters would be prepared to be so flexible in other cases.

Mr Stephen Merritt, chairman of the Lloyd's agency Merritt Holdings, said speaking on behalf of E & O underwriters, said yesterday: "The mere fact that people have lost money in a risk business in no way entitles them to a recovery."

Names will need to take into account a change in Lloyd's rules which means that as from January 1991 members agents - who handle the affairs of Names - will no longer need to carry E&O insurance.

The Outhwaite settlement

will also strengthen those who argue that Lloyd's underwriters must improve their professionalism and that the Lloyd's market must become more transparent for Names.

These twin themes featured in report of the Lloyd's task force whose recommended reforms the Lloyd's Council accepted last month.

Although no liability was apportioned in the Outhwaite settlement, it appears that expert evidence on Mr Outhwaite's behalf by Mr Richard Hazell, a fellow Lloyd's underwriter and deputy chairman of Lloyd's, may have misled and influenced the defence to opt for a settlement.

Mr Hazell defended Mr Outhwaite from charges of negligence but accepted that the underwriter had been "imprudent in some respects." He accepted that Mr Outhwaite had not predicted the scale of potential losses when he underwrote 32 run-off reinsurance contracts covering the exposure to asbestos and other US liabilities of other insurers.

But Mr Hazell admitted that the underwriter's failure to obtain an independent assessment of the asbestos risk was typical in the market at the time. "If Mr Outhwaite was living in a cocoon - we all were," Mr Hazell said.



Nutting: "You've got to have a good case and a bit of luck"

Victorious market backers find a saint in Peter Nutting

By Andrew Jack and Richard Lapper

THE TENSION of months of negotiation were only just beginning to lift yesterday morning as Mr Peter Nutting detailed the settlement reached for members of the Outhwaite syndicate.

The legal dispute pitted him against the Lloyd's establishment. Mr Nutting, 56, is himself an impeccably English establishment figure - an old Etonian, ex-Irish Guardsman, magistrate and a Lloyd's Council member. He persuaded several hundred Names to join his action, often against the advice of their accountants and other advisers.

In summer 1988, he took over chairmanship of the 1982 Outhwaite Names Association. Within 18 months the action group grew from just over 400 to nearly 1,000. Names were persuaded to contribute over £2m to finance the legal fight. Late in 1990 several hundred sent Mr Nutting post-dated cheques to be drawn down in the event of a legal defeat.

The Names heaped praise on him yesterday. "He's a saint in my eyes," said one. "He did it all and generated the settlement. He saved me from bankruptcy."

The problems in determining the size of claims and therefore

the value of a settlement had clearly vexed Mr Nutting throughout the discussions. "I can't stress enough the formidable difficulty of establishing a quantum of these claims," he said.

"One of the reasons we have come to a settlement is if we had gone on and won on liability, there is not the slightest doubt that in establishing the quantum our claim would have gone to the House of Lords," he said.

There was no visible bitterness towards Mr Richard Outhwaite, however. "I have paid tribute to his efforts at damage limitation," said Mr Nutting. "He has done a super job. I very much hope he and his team will continue to be involved in running the 1982 underwriting year (which has still not been closed). It would be in all of our best interests. I imagine the size of the settlement may have the effect of encouraging people to join actions. But quite honestly you've got to have a good case and a bit of luck."

Mr Nutting will not be among those dissection settlement over the next few days. "I'm leaving for a holiday in Barbados at 1pm," he chuckled as he left the press conference.

BARLOW CLOWES TRIAL

Guilty director jailed for 10 years after fraud verdict

By Neil Buckley

MR PETER CLOWES, who stole millions of pounds of investors' money in one of the biggest frauds in British history, was yesterday sent to prison for 10 years.

Mr Clowes, founder of the Barlow Clowes investment group, was found guilty on Monday of eight charges of fraud, and 10 charges of theft totalling more than £14m. He was acquitted of one charge of conspiracy.

Passing sentence at the end of the 112-day trial, Mr Justice Phillips said: "I do not believe any judge in this country has been called upon to sentence a worse case of fraud."

Mr Peter Naylor, deputy chairman of Barlow Clowes, who was described by the prosecution as Mr Clowes's "lieutenant", was sentenced to 18 months' imprisonment. He was convicted of one charge of theft of £19,000, but cleared of four other charges.

The judge said Mr Naylor was guilty of an "abuse of his position and a serious breach of trust" and rejected a plea from his counsel for a suspended sentence.

Mr Clowes was also disqualified from being a company director for 15 years, but the prosecution made no application for costs or for compensation from either defendant.

The government has paid out more than £150m in compensation to investors who lost money after the collapse of Barlow Clowes in 1988.

Mr Justice Phillips said Mr

Clowes had deliberately selected as his victims small investors who were interested in speculative investments but security.

During the trial the court heard how Mr Clowes "milked" millions of pounds from investors, many of them elderly people who thought their money was going into government gilt-edged stock. Instead it was spent on buying other companies, and on luxuries including a French chateau and vineyard, an executive jet, expensive cars and a yacht.

"It was your intention to help yourself to the money and to engage in schemes to make you rich," Mr Justice Phillips said. "What you were doing in effect was gambling the money dishonestly for your own benefit. The scale on which you did this was breathtaking."

"Anyone who deliberately carries out the kind of massive fraud you have perpetrated must face the fact that if he is caught he will go to prison for a very long time."

Earlier, Mr Anthony Hacking QC, representing Mr Clowes, said in mitigation that his client had handed over all his assets to the liquidator after the collapse of Barlow Clowes. He also faced civil proceedings involving two writs totalling more than £100m, which was likely to bankrupt him.

"It's a story of rags to riches and back to rags," Mr Hacking said.

Ashdown seeks political reform

By Ralph Atkins

MR PADDY Ashdown, leader of the centrist Liberal Democrats, yesterday stepped up his efforts to change Britain's political system. He said a firm pledge on electoral reform and ministerial posts for his party would be needed if he formed a pact with Labour or the Tories.

Political reform would be "at the heart" of the Liberal Democrats' election strategy, Mr Ashdown said at a campaign launch intended to raise the constitution as an issue - even if ignored by Labour and Conservatives.

Mr Ashdown emphasised that if Liberal Democrats were to form a post-election pact in a parliament where no single party had a majority, it would have to involve two parties working "in government" - his strongest hint so far that he is looking for at least one ministerial post.

He believes two parties working together would change the culture of British politics and be popular with voters. Liberal Democrats are also proposing home rule for Scotland, a bill of rights and a freedom of information act.

Mr Ashdown confirmed that in all "foreseeable circumstances" he would vote against a government on the "Queen's speech", which sets out legislation for the new parliament, if it did not back a fairer election system. That could trigger a second general election.

He also wants agreement on a four-year programme of gov-



Ashdown: time for change

ernment. Party strategists have deliberately not specified which ministerial posts they would want, possibly reflecting a fear that too much speculation will distract from the main campaign themes.

The party has, however, decided to make clear its basic position for a hung parliament.

Mr Ashdown would not commit himself to automatically voting against a government that did not support proportional representation in case external factors meant it would not be in the national interest.

He also made clear that Liberal Democrats would be prepared to negotiate with other parties on some of their demands, saying he should be allowed at the time to decide "what strokes to play".

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MANAGEMENT

Recruitment

Poachers turning gamekeepers

David Goodhart considers whether employees should pay a transfer fee to change jobs



Gary Lineker: on the ball and off to Japan

Football clubs do it, the armed services do it; so why shouldn't companies? Putting a value on employees and insisting that they or a future employer pays something when the staff member leaves is not entirely foreign to British traditions.

So why not use the idea to help combat the poaching of highly trained employees, as the government suggests in yesterday's Employment White Paper? Fear of poaching is thought to be part of the reason for under-training in British industry. Curiously, little empirical work has been done to show the real extent of the problem but the fact that it is widely perceived to be a problem is sufficient to make it one.

It may be that employers are merely finding an excuse for inadequate training; surveys have shown that more than one-third of employers cite poaching as a reason for not training. It is also true that training tends to be high in industries where transferability of skills is low, such as in the nuclear industry or teaching.

used to run anti-poaching pacts, but such agreements and the organisations themselves have now gone out of fashion.

With heightened awareness of the importance and expense of training, the cost of poaching is a current concern. Greg Clark of the Business Performance Group at the London School of Economics has calculated that the average cost of losing a middle-ranking employee is £70,000. He arrives at that figure by adding up the cost of recruitment, formal and informal training, and an employee's learning curve.

Sig Prais at the National Institute of Economic and Social Research points out that the easiest way to stop poaching is to follow the example of Germany and to pay trainees low enough wages to make it economically worthwhile for companies to over-train.

But as that seems to be impossible, erecting barriers against the training free-riders is the best alternative. The Labour Party's idea is a training levy, under which employers who did not spend 0.5 per cent of their wages bill on training would have to pay that sum to a special fund.

But the government wants to examine how employers could extract some of the cost of training from employees who leave before a specified period of time has elapsed after training.

The government says that the legal uncertainty which currently plagues attempts to do just that must be cleared up and the procedure brought within the jurisdiction of industrial tribunals.

Michael Howard, the employment secretary, is a recent convert to the idea that more must be done in this field. As recently as last month, he was arguing that employers already have the means to bind people until some of the cost of training has been repaid.

And recent legal precedent seems to support his original argument. In 1990, a US company, Electronic Data Systems, won a battle in the High Court in London to make an employee honour an agreement to pay \$4,500 of his training costs if he left within three years of completing a course. Such contracts are common in the US, and although less common in the UK, they can be

found in sectors like information technology.

Viewing training as a loan which has to be repaid is a concept supported by Clark. He says that companies like British Aerospace could specialise in training and supply smaller companies which could not afford the cost of expensive training equipment.

In such cases, it would presumably be the small employer who would pay, or perhaps a combination of the small employer and the employee. Clearly, when employers want to poach badly enough, they will simply "buy-out" an employee, as Goldman Sachs did recently when it paid £10,000 for a Treasury economist.

However employers seem relatively cool towards the idea of greater use of training contracts. The spring industry, based in Redditch, suffered badly from poaching when the economy was booming. People trained as statistical process controllers were often using their certificates as a ticket to a new job.

But Michael Parkinson, chairman of Alderley Springs, says that restrictions must not be put on people's career

paths, adding that poaching is "an attitude problem not susceptible to legislation". Edward Roberts, chairman of Heath Springs, echoes that view, saying: "Employees won't be poached from good companies". Peter Ashby, senior consultant of Fullemptment UK, does not like the idea of "transfer fees" believing that it is bad for the employees. He prefers the idea of individual training accounts, already used in many companies where employees share in the cost of their training, especially where it is of no immediate benefit to the employer.

One growing problem that transfer fees cannot deal with is the disincentive to training in large organisations. An economist working in one of the clearing banks has pointed out that since training budgets have been devolved local managers want to train only for their immediate technical needs and not send staff on general management courses.

But the new emphasis on repaying training costs ought to be welcomed by one large part of the economy, the public sector, which has always over-trained to the benefit of the private sector.



Paul Gascoigne: said to be leaving for Italy

Lisa Wood investigates the part played by Tecs in encouraging the provision of nursery places

Why youngsters are taking their parents to work

It was not until Kay Coleman became a director of her local Training and Enterprise Council (Tec) that she realised something was amiss in her own company.

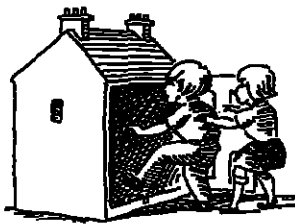
"One of the issues that kept coming up at Tec board meetings was nursery provision in the Oldham area," she says.

With an eye to recruitment at the medium-sized clothing company which she runs, she decided to open a nursery.

Because of the recession, she found that hiring staff was less of a problem than she had expected.

However the nursery - which opened in 1990 and offers 30 places - is paying off in other ways.

"We are getting increased productivity from mothers who bring their children to the nursery. They tend to come in earlier, stay longer and appear more settled."



CHILDCARE

Oldham Tec may have provided the inspiration for the nursery but it provided no money. But Oldham, along with the new network of 81 other Tec, is seeking to play a part as a partner and catalyst in the provision of

nurseries and child-care. This is part of a wider brief of promoting opportunities for women - including paying childcare costs for single-parent trainees. It is a role most Tec appear to be taking seriously, albeit in varying ways.

Some Tec, including Hertfordshire Tec, are helping to set up nurseries in partnership with employers and local authorities.

Others are training unemployed people to set-up after-school clubs. As with other Tec activities, results vary in quantity and quality, depending in part on how long a Tec has been established.

Many of those Tec with the most progressive policies have female chief executives, such as Olivia Grant at Tyneside Tec, or confident women board members, such as Coleman at Oldham Tec.

A survey conducted last summer by The National Council for Voluntary Organisations (NCVO) and Daycare Trust-The National Childcare Campaign showed that:

- More than one-third of the 50 Tec that responded had a specific policy on childcare.
- More than half had a strategy or statement on childcare.
- More than half had an advisory group which considered childcare issues

as part of its remit. • Forty per cent had a staff member with responsibility for childcare issues.

• Half had discussed with other agencies the development of local childcare facilities, for the under fives, for after-school care and for holiday play schemes.

• A quarter had encouraged collaboration between employers and local authorities on out-of-school and holiday childcare schemes, with a further 36 per cent proposing to do so.

issues were taken seriously.

Olivia Grant of Tyneside Tec said childcare was important from the start. "It was a message we got from the community and was raised by several employers too," she says.

The Tec appointed an officer to investigate local childcare. Her investigations showed patchy provision in the area, although some local authorities, notably North Tyneside Borough Council, provided good facilities.

She concluded that the greatest immediate need was after-school and holiday care. A pilot programme - called the Kids Club Enterprise Course - is being set up,

under which the Tec is training people to provide local childcare facilities.

Places are funded under the Employment Training (ET) scheme for the long-term unemployed.

The programme will be run by a local enterprise agency in partnership with the Kids Club Network, a charity working to promote after-school care of children.

Courses will include advice on developing business plans and how to acquire premises. The Tec believes money is best used training people who want to work with children rather than investing in bricks and mortar. "We do not want to be an

alternative social services department," says Grant.

As part of the aim to help individuals, the Tec will consider offering their Enterprise Allowance which gives financial help to unemployed people who want to set up their own businesses.

Tyneside Tec, which has a women's advisory group drawn from the local population, has a number of other initiatives, including one to support training courses for ethnic minority women who want to be child minders.

"We have not got all the answers but people are helping us to ask the right questions and frame solutions which we hope will be effective," says Grant.

This is the final article in the series on childcare. Previous articles appeared on January 15, January 17, January 31 and February 10.

An urgent challenge to British business



CAN WE RESTORE SIGHT TO TWO MILLION PEOPLE BY THE YEAR 2000?



"As your President, I have been much heartened by the endeavours of Sight Savers to combat the terrible affliction of blindness in developing countries. The future well-being of very many people depends on this work, and it is an important milestone in the Society's history that this year the three millionth cataract patient had a sight restoring operation in Pakistan."

HRH Princess Alexandra
August 1991

You may first have heard of us as the Royal Commonwealth Society for the Blind. But Sight Savers says it better. For this

is a charity that does a simple, yet wonderful, thing. It restores sight to blind people in some of the world's poorest countries. And this very year it achieved its three millionth miracle. For a fifty year old widow in Pakistan had a cataract removed and her sight restored. The operation took twenty minutes. It cost just £8.

Three million may have been cured but millions remain to be cured. The World Health Organisation estimates that there are between 27 and 35 million blind people in the world; a conservative estimate indicates 40 million by the year 2000. 85% to 90% will live in Africa or Asia.

Sight Savers has set itself a target. To cure another two million people in the next nine years. Which would mean that this UK-based charity will have brought sight to five million people in the last thirty two years of this century.

Can you think of a better combination of achievement and ambition with which to associate your company?

For British companies need to be involved if that target is to be reached. Sight Savers is supported by tens of thousands of individual donors throughout the country. It is their regular generosity that has made possible the eye camps, the clinics, the paramedics, the training schemes... all the varied activity that has underpinned this extraordinary achievement of Sight Savers.

But, the target set for the year 2000 means an investment that goes beyond the means of those ordinary donors.

For this is the tragedy. We now know so much more about blindness and its causes that, for the first time in history, we can go a long way toward eradicating it. More than eighty per cent of blindness in developing countries is either preventable or curable.

Now that we know so much, now that we have achieved so much, now that we know so precisely what remains to be done... now is the time to commit ourselves for that greater effort.



THE HUMAN DIMENSION

"I can see my children. I can help my family farm the fields. I can help my mother at home."

This is Taj Bibi talking on April 28 last year from her bed in the mobile hospital at Akora Khattak in the North West Frontier province of Pakistan. Just half an hour after the cataract operation she was able to identify her son, her father and her sister. She turned to the woman surgeon, Dr Arifa Gulab, and prayed that she be granted ten sons.

This fifty year old widow was the three millionth person to have sight restored by Sight Savers.

THIS IS THE SORT OF HELP WE NEED:-

£150,000 to build a twenty-bed eye hospital.

£20,000 to equip that hospital once it is built.

£18,000 to train an eye care consultant.

£3,600 to train a paramedic-ophthalmic clinical officer.

£37,500 to purchase and pay the running costs of a four wheel drive vehicle for five years. The need is for ten such vehicles a year.

These are big sums and they are only likely to come from company partners who can share Sight Savers' sense of mission.

First, think. Think about the good you can achieve. Think about the geographical link your company may have with the Sight Savers programme. Think about how best you can get involved in the mission to give sight to two million people.

Then, at your discretion, commit yourself or your company to that mission. The very minimum you could do is make a simple, one-off donation.

Consider for a moment that each one hundred pound donation will supply sight to twelve people. Possibly you will be thinking bigger than a one-off donation. You now have the opportunity of becoming involved in the nine year programme we have announced.

How can you help most cost-effectively and vigorously?

And, if you are thinking in that mode, contact us. For it is partners we are seeking and we owe it to you to explain in greater detail what we could achieve together. But, do not ignore us. Above all, do not ignore the millions of people for whom we could achieve a miracle: the miracle of sight.

Please write to me direct: David Thompson, Chairman, Sight Savers, PO Box 191, Haywards Heath, West Sussex, RH16 4YF.

Countries in which Sight Savers works: Botswana, The Gambia, Ghana, Kenya, Lesotho, Malawi, Nigeria, Sierra Leone, Swaziland, Tanzania, Uganda, Zambia, Zimbabwe, Bangladesh, India, Pakistan, Sri Lanka, Hong Kong, Malaysia, Fiji, Papua New Guinea, Solomon Islands.

ARTS



Still a rich and varied diet, but for how long? Granada's 'Malgret'; BBC's 'The Lost Language of Cranes'

TELEVISION

Big business versus creativity

The opening of the winter Olympics, so clearly devised for television, was a collectors' item worthy of recording on tape and storing alongside those early editions of the *Eurovision Song Contest* in which Norway used to get "Nui points". Somebody had clearly decided that since the whole thing was, metaphorically speaking, a big pantomime, it might as well be literally that. So each team was led into the stadium by a girl fitted from neck to knees with a huge plastic fishbowl full of swans-down (we know it was swansdown because David Coleman told us so) which she flicked about with her hands to create the effect of a snowstorm toy. Then the teams were greeted by the *Brokers' Men* - actually a man speaking French and a woman speaking, er, English - with rhyming couplets: "From Latin America signor, signorina please welcome the athletes from Argentina". The shade of McGonagall must have been squirming in pleasure. "With a startling speed they cover the miles/The team from the Dutch West Indian Isles". Jets performed aerobically, massed roller skaters swayed to Beethoven's Ninth, and the French president looked appropriately sheepish, probably digesting the French version of "In summer and winter it's coastal and hilly/So welcome the team that's come here from Chile".

Since it was used for the title, the phrase *The Lost Language of Cranes* was presumably centrally important to BBC's Sunday night drama. Did every viewer expect to understand the significance? Who was the small boy who copied the movement of the crane outside the high rise flats? Given that his behaviour was being studied by a social worker, was he supposed to have behaved like Lorenz's geese and modelled himself on the first thing he saw after birth? If so, what had this to do with homosexuality? Were we supposed to think that young Philip became a homosexual because he modelled himself on his homosexual father? Or what? I think we should have been told. Ironically, in a drama where virtually everyone in sight was a male homosexual, the best acting came from Eileen Atkins, playing the heterosexual Rose.

For any viewer who is not entirely cynical about television, the "resignation" of David Plowright from Granada is an ominous sign of not entirely surprising event. His enforced departure is the clearest sign yet that we are indeed going to be subjected to that downward-swirling vortex which Thatcherite plans for broadcasting were first mooted. Those plans are now putting the accountants on top. Television is, of course, big business and needs accountants, but it is also a creative industry and once the Plowrights are driven out, the prospects for any more *Bridesheads*, any

more *Worlds In Action*, look pretty thin. Writing in the *FT* in October, Samuel Brittan, who served on the Peacock Committee, said:

"There is indeed scope in a civilised society for the provision of programmes in the arts, sciences, humanities, news, documentaries, and many other fields which cannot pay their way either by advertising or by subscription. Bodies such as BBC and Channel 4 exist for this very purpose; and Peacock proposed a much broader Arts Council of the Air. There is nothing, however, to support a grey in-between mess in which the BBC feels it has to compete in the mass market for pop, while commercial entrepreneurs have to go through the motions of providing a due ration of what the regulators would regard as quality."

It can be argued, on the contrary, that there is everything in 45 years of the BBC/ITV duopoly to support the brilliant in-between mass, achieved more by guess than by god, which offered British viewers such a richly varied diet. That richness and variety resulted largely from ITV's efforts to win some of the BBC's kudos by making public service programmes, and the BBC's efforts to win some of ITV's popularity by creating more appealing comedies, drama series, and journalism. The system was not broken and did not need fixing. It was producing some of the most enjoyable (and, according to market research, most enjoyed) television in the world. It was envied the world over. Yet doctrinaire political thinking and hostility to television journalism in the last Thatcher administration ensured that the industry was well and truly fixed. Future historians may well conclude that one of Britain's more successful undertakings in the latter part of the 20th century was ruined for malicious reasons, and the departure of David Plowright may be seen as the beginning of the end.

Television is not a medium in which the use of language very often strikes you as expressive, and the odd thing is that on the rare occasion when it does, the programme almost always seems to be a comedy. Les Dawson on one of his higher flights of fancy can be both hilarious and linguistically rich, and the best examples currently available are in BBC2's repeats of *Victoria Wood As Seen on TV*. Her monologue for Patricia Routledge last week was so splendid that you needed to hold your breath and contain your laughter in order not to miss anything: "I was in that mood when you eat dry Weetabix and watch the Open University... I'd been on the Underground and it was apprentice day at the bikini waxes... I still can't polka without winning but we're spunky in Cheshire, we totter on...". The only television regulars who can match Wood in this area of genteel suburban pretensions are Barry Humphries in his Dame Edna persona and Alan Bennett. It is doubtless not sheer coincidence that

Bennett has used Routledge to deliver some of his best lines. She is so good at it.

Talking of language on television, when did you last hear the word "philippic" on the box? It cropped up in an unusually quirky and enjoyable item from David Selts on *Newsnight* last week. He took a train from Moscow to Kiev, crossing one of the new frontiers, and his piece reminded you of the great days of reporting by people such as James Cameron and Rene Cutforth. You suddenly realised what the "Birtan revolution" is denying us.

Isn't Michael Gambon wonderful? Well, yes, he is a rather impressive actor. A better Malgret than Rupert Davies? Surprisingly similar, really, given the 32 years between their series.

Doesn't Budapest stand in amazingly well for 1940s Paris?

And wasn't it funny seeing James Cagney taking off his producer/director hat to play the waiter and even giving himself a line?

Terribly dull. Just like Hitchcock. You say he took off his hat but did he take off those sandals that he's always worn, even when he was head of plays at the BBC? You couldn't see his feet.

At least you must admit there were no steam trains in this episode.

True, but there were moments when you thought "Oh dear, there's that spotless vintage motor again".

Why are you so grudging about this new ITV series, isn't it precisely what British television does so well, and just the thing for Sunday nights?

Certainly it's awfully well done, but if you polled the viewers on what television drama needed most do you think they would say "Another detective series, please, preferably period"?

Does that mean you think it will get poor ratings?

No, but the law of diminishing returns must set in eventually. We already have *Spender*, *Taggart*, *Miss Marple*, *Poirot*, *Morse*, *Van der Valk*, and more. There must be a limit. Mustn't there? Surely...

We can hardly begrudge Dan Maskell his retirement, after all he is 83, will be 84 in April, and in 43 years (he began his commentaries on radio in 1949) has never missed a day at Wimbledon. And yet, for fans of televised tennis, the prospect of getting through this year's Wimbledon without him is dreadful. He is still the best tennis commentator, being clear, calm, and enthusiastically urbane, and extraordinarily knowledgeable. It is difficult to think of any other sport with a commentator as good. He promises he will be at Wimbledon this year as a spectator; couldn't the BBC persuade him to pop into the commentary box occasionally. Just for six or seven hours a day, say?

Christopher Dunkley

Singular concertos

ROYAL FESTIVAL & QUEEN ELIZABETH HALLS

The first performance of Benedict Mason's BBC Symphony Orchestra commission was originally planned for last year, but postponed for mysterious scheduling reasons. The delay brought its own rewards, however, for in place of the premiere the BBCSO performed Mason's immensely attractive *Lighthouses of England and Wales* from 1888, which was subsequently recorded and released as a CD single. The large, enthusiastic audience that gathered in the Festival Hall on Monday night for the BBCSO's unveiling of the Concerto for the Viola Section, conducted by Lothar Zagrosek, might well have been more familiar with Mason's music than a year ago, and known perhaps if not what to expect, then at least what not to expect.

The new concerto shares at least one property with *Lighthouses*: an approach to orchestral writing that pays fond homage to 19th-century traditions, while coming up with a grammar and sense of continuity that are very much more modern. In the earlier orchestral piece it was the impressionist view of the sea that lay behind so many of the textures; in the Concerto it's a whole history of orchestration ranging across 19th-century romanticism that informs its

workings. It is essentially a work about scoring and about the role of the violas in the middle of a traditional string texture, sometimes defining the pulse of the music, sometimes sharing its melodic contours, yet rarely finding themselves in the spotlight.

In the concerto the violas are amplified and rise through the textures as if the orchestral balance had suddenly been turned inside out, while Mason sets up an extraordinary series of inventions, conceits and musical jokes around them. There are six movements, alternating fast and slow with fond yet oblique references to the viola's orchestral past in all of them. The huge orchestra, with percussionists hovering over everyone from the choir stalls, contains all manner of exotica, as well as a pair of singers among the wind sections who masquerade as instrumentalists until their moments arrive.

At first hearing the overall structure was not entirely convincing; one wonders whether the work does justify its length and proportions. But there are wonderful ideas along the way, some of them arising directly from the extra-prominence of the viola line, others purely inspirational: textures coloured by swanlike whistles at one point, synthesiser at others,

and the soprano soloist unwinding some exquisite vocalise. Setting these surreal events within a soundworld that audibly derives from the 19th century gives the concerto a crisply defined character and very positive tag.

Dominic Muldowney's Percussion Concerto, which the Bournemouth Sinfonietta introduced to London in the Queen Elizabeth Hall a week ago, is the latest in the line of works in which Muldowney has utilised his techniques of tempo layering, setting up ratios of metronome speeds between the sections of an ensemble to produce highly complex yet perfectly playable rhythmic patterns. The most ambitious exploration of these ideas promises to be his Violin Concerto, due to be heard in Liverpool next month, but in the meantime the percussion piece seems the most successful and cogent example so far.

The single-movement piece was written for Evelyn Glennie, who plays it with wonderful flair and accuracy. The percussionist stands at the centre of the platform with the chamber orchestra divided into groups around her; players take their lead from either the soloist or the conductor, so that the music builds up complex polyrhythmic layers as it

runs through the precisely geared tempo ratios. The idea may sound dry and cerebral, but isn't at all in performance: the music is a glistening web of ever-changing textures and motives, tinged occasionally with echoes of popular song and jazz accents.

There is a good deal of repetition, of material revisited from a different perspective, hence the work's Birtwistle-like subtitle, "Figure in a Landscape". From that point of view it seems to be Muldowney's most Birtwistle piece for some time: full of intriguing possibilities, flashes of revelation, and the strange, hidden rituals so characteristic of his former teacher.

Muldowney conducted the performance, which was part of a concert for the Arts Council Contemporary Music Network. Tamás Vassary took charge of the rest of the programme, which brought the London premiere of James Macmillan's diffuse and overlong *Tryst*. It also included Stravinsky's *Dances concertantes* (written 50 years ago) and Prokofiev's *Classical Symphony* (75 years old), just what are those works doing in a touring programme supposedly devoted to "contemporary" music?

Andrew Clements

Bingham String Quartet

PURCELL ROOM

The current Park Lane Group series is entitled "String Quartets Plus...". On Monday the quartet was the Bingham team, and their "plus" was the pianist West for Shostakovich's Piano Quintet. Though the PLG's first objective is to promote contemporary music, represented here by Elizabeth Maconchy's Quartet no. 6 (1960) and Janáček's recent *Tryst*, they also promote younger artists who are seriously attuned to new music. Hence the Bingham Quartet, whose faithfully searching accounts of Maconchy's quartets from no. 5 to no. 8 have already been committed to a Unicorn-Kanchana CD.

Truth to tell, the best Bingham performances by a long way were of the Maconchy 6th and the Xenakis. In the former they have been coached to excellent purpose by the composer herself, and they may be his gingers. Lines tell plainly. An extra touch of asynchrony in their address would still have been welcome: a bracing, downright Roman virtue in all 13 of Maconchy's quartets is the leanness of their arguments, and nothing is gained by softening their edges. Everthing is open to the ear (and mind) they say candidly what they mean, but never stoop to ingratiate themselves. That's why I think that

her conveniently concise quartets are likely to find permanent niches in the repertoire.

The Xenakis *Tryst* - Dorian for 4", apparently - prompted the greatest, most full-blooded Bingham playing. *Tryst* belongs to the composer's "ethnic" vein, not to the actualist fantasies that first made his name. Its workings-out are dense but always folkish, and they sustain a steady pressure of raw, earthy feeling even while they rotate the material in tight little circles. In Shostakovich's fine Quintet, however, only the pianist West appreciated its extrovert dimensions - a grandly rhetorical at the start, exuberant and unbuttoned in the Finale, and he was audibly at pains to trim his scale to the wane, respectful Bingham measure.

We'd had enough of that already in their Mayday, the B minor quartet from his op. 33, where they managed to reduce every bright thrust (there are many, some of them gypsy-inspired) to juiceless pantomime: as if they took the piece to be Eminent Worthy, but of course not much fun to play or to hear. Haydn would have been astonished, and probably in any bright moments of curdled pitch, too, the leader's exposed salutes too often squeaked and wheezed.

David Murray

La Bohème

ROYAL COLLEGE OF MUSIC

This is a greatly appealing student production. Its attractive qualities start with the youthfulness of the cast - professional performers of *La Bohème* (like those of *Eugene Onegin*) seldom manage to combine vocal aptitude and visual verisimilitude. But the pleasures don't stop there: the production by Mike Ashman proposes a fresh statement about the piece, and the singers, orchestral players and conductor (Michael Rosewell) invite us to respond to it with equal freshness.

Ashman, an erratic and sometimes wilful opera director for the bigger British companies, has done some of his best work in the RCM's wonderfully intimate Britten Theatre - I remember his *Paul Bunyan* and *Onegin* with particular affection. He and the designer Bernard Cuslaw have here found a method of updating that comes across as a quickened, imaginative response to the musical and verbal text, not a lazy-minded gimmick.

The stage design is abstract, the dress modern, the narrative unfolding elliptical; quick switches of lighting (by John Bishop) underscore the emotional patterns. This is a production devised to make young performers (including a splendidly controlled mixture of Christmas Eve revellers,

adult and children) feel at home, which sets up vital lines of connection between past and present, Puccini's day and our own.

Of the first-night cast (there are three alternating sets of principals for the six performances) the stand-out figure was the Rodolfo of an astonishingly gifted young Chinese tenor, Ya-Lin Zhang. He needs to improve further his Italian diction (which stood out the more because of the impressively natural delivery around him), and to master much greater flexibility of stage presence; his steady, supple tones, beautifully unfocused, and a romantic-sounding, hint at a remarkably bright future.

The Marcello, Richard Croft, shows himself a born singer-actor, alert in his instincts, a natural point of focus on stage; the Musetta, Elizabeth Davidson, shares the same quality. Other cast-members prove less noteworthy, though no-one lets down the prevailing high standard. It's sometimes difficult to know how to "rate" enjoyable student opera-productions; at least by the side of last autumn's dismal Glyndebourne Touring *Bohème*, this one seems to me a plain triumph.

Max Loppert

The Cutting

BUSH THEATRE

Maureen O'Brien is an actress whose first stage play displays an actorly delight in the linguistic possibilities of the theatre. She stretches silences and kneads language into unearthly stop-start rhythms. *The Cutting*, apparently based on a true story, weaves this language around a series of meetings between a middle-aged male psychiatrist and a young female prisoner on remand for apparently murdering her mother and feeding her, bit by bit, to the birds.

Dominic Drummole's staging is by contrast utterly unspiced. For much of the first act, Stan Thomas' Judith stands mute and unblinking in the dingy prison set,

starting out of an imaginary window and wearing the patience of both psychiatrist and audience waver-thin. The shrink's job is to coax an explanation from Judith of her mother's macabre death, thus releasing her from both the physical limbo of detention and the psychological limbo of her silence.

Just as he is about to abandon her as a hopeless case, Judith begins to speak. Bit by bit, the job becomes a mission and emotional pattern. Paul Freeman, watery blue eyes uncanonically focused, is not given much of a progression beyond the obvious one from exasperation to love, but he keeps

attention pinned on the subject of the play, whose personality unfurls with her story.

The fascination of this woman lies in her resistance to facile categorisation. Thomas' cut-glass diction, and Judith's capacity to soar from fractured monosyllables into metaphorical speech, make it impossible to pop her into any of the obvious social - or theatrical - pigeonholes. At best she becomes the fragment of a wholly original imagination, while at worst, like the play, she seems precious and stacy.

Claire Armitstead

INTERNATIONAL ARTS GUIDE TODAY'S EVENTS

AMSTERDAM

Concertgebouw 20.15 André Previn conducts the Royal Concertgebouw Orchestra in Brahms' Violin Concerto (soloist: Victoria Mulslova) and Elgar's Second Symphony, also tomorrow and Sun afternoon. Sun evening: Frans Brüggen conducts the Orchestra of the 18th Century and Netherlands Chamber Choir in Bach's St John Passion (6718 345).

Bours van Berlage 20.15 Lev Markiz conducts the Mieuw Sinfonietta Amsterdam in Brahms' First Serenade for viola and strings (soloist: Nobuko Imai) and Schoenberg's Suite for Strings.

Sun: Martin Sieghart conducts the Gelders Orchestra in a programme including Bruckner's Second Symphony (8270 466).

Muziektheater 19.00 Hartmut Heenchen conducts Harry Kupfer's production of Die Frau ohne Schatten, also Sat. Fri and next Mon: Balanchine programme (8255 455/credit card bookings 6211 211).

BARCELONA

Gran Teatre del Liceu 21.00 Antoni Ros Marba conducts Roberto

Gerhard's The Duenna, sung in English. Runs till Feb 20, with next performances on Fri and Sun (412 1465).

Palau de la Musica 21.00 Vladimir Spivakov is director and violin soloist in a Vivaldi programme with the Moscow Virtuosi. Fri, Sat and Sun morning: Karl Österreicher conducts the Barcelona City Orchestra in Schumann's Cello Concerto (soloist: Boris Pergamenschikov) and Bruckner's Fourth Symphony. Sun evening: Jose Carreras (288 1000).

CHICAGO

Orchestra Hall 19.00 Daniel Barenboim conducts Le nozze di Figaro. Tomorrow: Don Giovanni. Sat: Così fan tutte (435 6666).

GENOA

Teatro Carlo Felice 21.00 Netherlands Dans Theater in a programme of four choreographies by Jiri Kylian. Daily till Sun, with afternoon and evening performances on Sat. Feb 21-28: Alessandra Ferri dances Coppélia (589329).

GOTHENBURG

Konserthus 19.30 Peter Meag conducts the Gothenburg Symphony Orchestra in Bruckner's Fifth Symphony, repeated tomorrow (167000).

LONDON

Royal Festival Hall 19.30 Simon Rattle conducts the London Philharmonic in Nielsen's Pan and Syrinx, Robert Simpson's Ninth Symphony and Beethoven's

Seventh. Tomorrow: Temirkanov conducts the RPO (429 8900).

Purcell Room 20.00 Patricia Rozario and the Ondine Ensemble in a programme of music for voice and ensemble by D'Indy, Durutié, Fauré and Saint-Saëns (071-928 8800).

Basilian 19.45 Stanislav Bunin plays Chopin's 24 Preludes Op 28, Fantasia in F minor and Second Sonata. Tomorrow: Michael Tilson Thomas conducts the LSO (071-638 8891).

Covent Garden 19.00 Jeffrey Tate conducts Johannes Schreyer's production of Le nozze di Figaro, with Carol Vaness, Marie McLaughlin, Thomas Allen and Lucio Gallo. Tomorrow: ballet triple bill (071-240 1066).

Coliseum 19.00 Mark Elder conducts David Pountney's ENO production of Königskinder, with Kathryn Pope as the Goosegirl and Joseph Evans as the Prince. Tomorrow: Street Scene (071-836 3161).

Royal Albert Hall 19.30 Eric Clapton and his band in the first of 12 London concerts till Feb 28 (071-823 9998).

Sadler's Wells 19.30 Adzido: the stars of African dance return with In the Village of Africa. Coming Home and Under African Skies. Daily till Sat (071-278 8916).

MADRID

CONCERTS Tonight at the Auditorio Nacional de Musica, Luis Izquierdo directs the Orfeo Camerata in music by Prokofiev, Shostakovich, Haifner and Lopes Graça. Tomorrow: cello recital by Aurora Nolasco-Ginestera. This week's Spanish National Orchestra concerts (Fri, Sat, Sun)

are conducted by Rafael Frühbeck de Burgos, and include Turina's Danzas Fantásticas and Ravel's Daphnis et Chloé (337 0100).

OPERA Jean-Marie Villégier's acclaimed production of Lully's *Alyce*, conducted by Willy Christie, opens at the Teatro Lirico La Zappalera on Sat for 295 tickets (429 8225).

NEW YORK

THEATRE

Private Lives: wit, wisdom and war take to the stage when Joan Collins and Simon Jones appear in the 1930 Noel Coward comedy, in which the two principal characters love each other but can't live together. Directed by Arvin Brown. Now previewing prior to Feb 20 opening (Broadhurst Theatre, 235 West 44th St, 239 8200).

A Life in the Theater: F Murray Abraham and Anthony Fusco in a revival of David Mamet's backstage comedy, directed by Kenneth Dowling. No performance on Fri (Jewish Repertory Theatre, 344 East 14th St, 505 3627).

The Most Happy Felice: a revival of Frank Loesser's musical comedy, directed by Gerald Gutierrez. Spiro Malas is the middle-aged vineyard owner, Sophie Hayden the mail-order bride and Charles Pistone the handsome ranch foreman, with a supporting cast of 26. Now previewing, opening night tomorrow (Booth Theatre, 222 West 45th St, 239 6200).

Park Your Car in Harvard Yard: riding with Jason Roberts and Judith Ivey makes for relaxing outing as they star in a two-character play by Israel

Horowitz focusing on the relationship between a retired high-school teacher and his live-in housekeeper. Directed by Zoe Caldwell (Music Box Theatre, 239 West 45th St, 239 6200).

Metropolitan Opera 20.00 First performance this season of *Il barbiere di Siviglia*, conducted by Rafael Frühbeck de Burgos, with a cast including Frederica von Stade and Thomas Hampson. Tomorrow: Rigoletto (362 6000).

New York State Theater 20.00 City Ballet in four choreographies, including Robbins' *The Cage* and Balanchine's *Apollo* (870 5570).

PARIS

Palais Garnier 19.30 Stuttgart Ballet in John Cranko's *Onegin*, daily till Sat. Next week: John Neumeier's *A Streetcar Named Desire* (4017 3535).

Palais des Congrès 20.30 Kiev Opera Ballet in Bournonville's *La Sylphide*, also tomorrow. Fri: Nutcracker. Sat: soloists' night. Sun: Sleeping Beauty (4068 0006).

MUSIC Opéra Bastille 20.00 Pata Burchuladze in a programme of Mussorgsky songs, with the Opéra orchestra conducted by Myung-whun Chung. Repeated tomorrow (4001 1616).

Châtelet 20.30 Charles Dutoit conducts the Orchestre National de France in Bartók's *Dance Suite*, Janáček's *Sonata for Violin and Piano*, and Beethoven's *Violin Concerto*, with Christian Tetzlaff. Tonight and tomorrow in the Auditorium at

19.00: Alban Berg Quartet plays Webern and Schoenberg. Fri: Frankfurt Ballet (4028 2840).

Salle Pleyel 20.30 Semyon Bychkov conducts the Orchestre de Paris in Haydn's Symphony no. 85, Dutilleul's *Metabolismes* and Rakhmaninov's Third Piano Concerto, with Yevgeny Kissin, repeated tomorrow. Fri: Georges Pludermacher plays Liszt's First Piano Concerto and Bychkov conducts Tchaikovsky's Fourth Symphony (4563 0796).

A 24-hour recorded telephone guide to Paris entertainments is available in English by dialling 4720 8888.

STRASBOURG

Theatre Municipal 20.00 First night of Ivo Cramér's Ballet du Rhin production of *Le Cid* de Médée, tragi-pantomime by Noverre. Daily till Sun (8875 4823).

Theatre National 19.30 Heiner Müller's play *Germania Tod in Berlin* opens for a two-week run in a production from Brussels directed by Philippe van Kessel. Fri at 18.30: David Simpson plays Bach cello suites (8835 4452).

VIENNA

Musikverein 19.30 Küchl Quartet plays string quartets by Nicolai, Prokofiev and Dvořák. The Vienna Philharmonic Orchestra's subscription concerts on Sat afternoon and Sun morning are conducted by Ulf Schirmer, and include music by Beethoven and Schoenberg. Sat evening and Sun afternoon: Jean-Claude Casadesu conducts Rossini, Martinu and Schubert (505 8190).

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Trade and the environment

WITH THE environment a high international priority, trade policies can be no more exempt from environmentalist scrutiny than any others. But the dangers of the scrutiny must not be ignored. Well-meaning environmentalists could find themselves in an unhelpful alliance with hypocritical protectionist lobbies. The outcome would not only be slower growth than is desirable, but postponement of the day when governments force the needed global consensus on environmental policy.

The Secretariat of the General Agreement on Tariffs and Trade has today published its report on trade and the environment intended to limit the potential damage. Its fear is that environmentalist pressure to bar exports from countries that do not meet what are deemed suitable environmental standards, or to restrict imports that are not made in environmentally suitable ways, would play into the hands of domestic protectionist lobbies.

The secretariat argues persuasively that trade weapons be they tariff walls, trade bans, or countervailing duties — can rarely be more than palliatives for the problems that concern environmentalists. Worse, such measures are not being exploited by industries anxious to fend off foreign competition, they are being used by rich countries to force weaker ones to mirror their policies.

The use of trade sanctions for environmental reasons is bound to alienate developing countries. Furthermore, the imposition of environmental standards can be an unjustifiable intrusion into the right of countries to set their own priorities. Countries are not clones of each other. Their environmental priorities may differ for valid reasons.

Multilateral action

Where such policies result in degradation of a country's domestic environment, without international or global spill-overs, two options remain. One is to leave the country to wallow in its blighted policies, until it discovers the error of its way. The other is to galvanise multilateral action. A parallel would be international agreement to impose sanctions on South Africa. Naturally, such action would have to be exceptional to be acceptable.

Where policies have a spill-

over effect on to nearby countries — like acid rain or river pollution — or, worse still, where they threaten the global commons — like the ozone layer or the world's forests, international action becomes necessary. But even then trade sanctions would rarely be the "first best" strategy. Unilateral "vigilante" action is likely to be self-defeating. Agreement would be far better.

Vast bulk

Above all, the cost of repairing the environment ought to be borne by those responsible for the lion's share of the environmental damage, who are also those with the wealth and the technology to deal with it. Industrial countries should remember, as they preach the environmentally correct "path" to developing countries, that they have no claim to the moral high ground. They, not the poor, are responsible for the vast bulk of the world's pollution, especially for those problems — global warming and damage to the ozone layer — with worldwide effects.

Since there is a link between rising incomes per head and enhanced environmental standards, the rich industrial countries should also adopt policies that will accelerate economic growth among developing countries. Claims of European and American companies for compensation for the costs incurred in cleaning up their manufacturing processes, and for protection against Third World manufacturers who gain comparative advantage by maintaining cheaper, but dirtier technologies, must also be rejected. Those differences in preferences are sources of comparative advantage. Compensation is no more appropriate than it would be for different tax rates, salary levels, land costs and so on.

The secretariat is convinced that the GATT is ill-suited to settlement of genuine environmental problems or disputes. Its report, published just four months ahead of the Rio "Earth Summit", is intended to press the case for a multilateral agreement on environmental policies, instead. The environment is important. But this concern should not be allowed to pollute the course of world trade, so denying those who are poor the opportunity to enjoy what the rich take for granted.

Fraud trials and justice

YESTERDAY'S collapse of the second Guinness trial raises fundamental questions about the administration of justice in the UK in cases concerning fraud. It comes hard upon the decision to abandon the third trial in the prolonged Guinness prosecution. It is likely to be followed today by the verdicts in the Blue Arrow case, in which — after 12 months and a cost estimated at nearly £40m — five of the 10 defendants have already been found not guilty.

By any standards this is not a good record for the Serious Fraud Office (SFO) which is responsible for prosecuting large fraud cases. Not all the blame can attach to the SFO or its outgoing director, Mrs Barbara Milne. In Blue Arrow some of the blame for the trial's inordinate length must go to the easy-going, non-judicialist style of the judge Mr Justice McKinnon. And in Guinness Two, it was Mr Roger Seelie's conduct of his own defence which prolonged the trial to an oppressive degree and threatened his health.

But there is much which can be laid at the door of the SFO in its approach to fraud trials. In particular, delays of as much as seven years in bringing cases to trial are unjust. The injustice is heightened when the charges are withdrawn, as they have been on Guinness Three, after years under threat of imprisonment — not to mention the damage to income and employment — for the accused.

Sheer size

Also overdue for change is the SFO's approach of throwing the book at defendants. The sheer size of the prosecution cases threatens the manageability of the process. Presenting such cases as all-embracing prosecutions, with dozens of charges, ensures that they drag on for months and years and become complex beyond the grasp of experienced judges, never mind jurors.

As the former appeal court judge Sir Frederick Lawton has recently pointed out, there is a limit to the number of times an

individual can be sentenced for the same crime. Justice does not require that every dishonest act should be identified and punished. Sir Frederick commended the advice of the former Lord Chief Justice Lord Goddard that prosecuting counsel should choose the best six counts and leave the others on the file.

Fundamental re-think

A fundamental re-think in the approach to the prosecution of alleged fraud is required before the start of the next round of cases arising out of the more recent crop of scandals. Much of the present system — including the SFO itself — was created after the publication of the report of the Roskill Fraud Trials Committee. But Roskill's recommendation that complex fraud trials should be heard by a tribunal comprising a judge sitting with two expert lay assessors was not implemented. The argument that many frauds are too complex or too long to be tried by jury gives credence from the current failures.

Despite this, it is probably too soon to write off trial by jury in fraud cases — especially since juries have returned commonsense verdicts in cases which have reached completion such as Guinness One and Barlow Clowes. Judges could do more to help juries by simplifying proceedings along the lines envisaged by Roskill. With a tougher approach during trial hearings to reduce cases to manageable proportions, it should be possible to complete most cases within the six weeks Sir Frederick Lawton recalled as necessary for his 71-year-old case.

Finally, the SFO appears to be under-resourced to deal with major fraud cases. To judge by its performance, a budget of less than £15m is inadequate to tackle the investigation and prosecution of frauds involving £45m — or to attract high quality professionals to its staff. The present failure to find a just and effective system for prosecuting serious fraud cannot be allowed to continue.

Paris has four main tiers of government

BUILT-UP AREAS

Central Government

has the final say in most strategic matters affecting city, and controls public transport through appointed boards. Directly represented in the Ile-de-France region and each of its departments by a *préfet* with advisory and supervisory powers.

Region

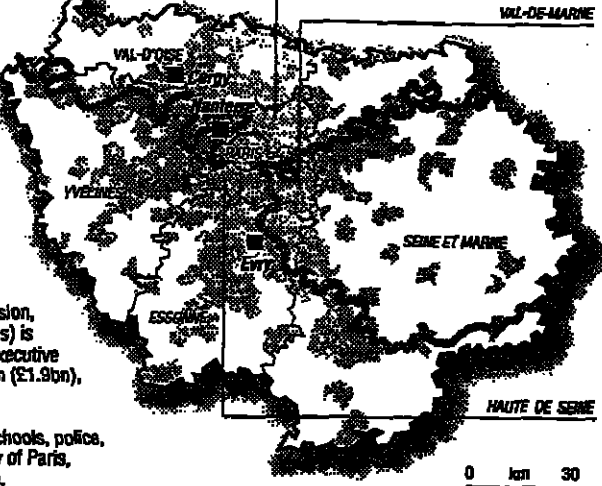
The Ile-de-France region embraces all the continuously built-up metropolis, plus the outer suburbs. Advisory powers over planning, direct responsibilities include aspects of education and transport. Annual budget: FF9.5bn (£970m).

Departments

8, with broad responsibility for service provision, of which by far the largest (with 2.1m citizens) is the City of Paris — which is also the lowest executive tier in its territory. Budgets: Paris FF18.7bn (£1,900m), others about FF600m (£614m).

Communes

1,300 across region, powers over primary schools, police, some roads, some local services. Within City of Paris, *arrondissements* have a mainly advisory role.



London has two tiers of government since abolition of Greater London Council in 1986

BUILT-UP AREAS

Central Government

Ministers have direct powers over all strategic issues in the capital, and control public transport through appointed boards. No equivalent to the *préfet* for the capital.

Boroughs

Greater London area divided into 32 boroughs, plus the tiny City of London. Broad responsibility for local services, planning, council housing, education, most roads. Typical annual borough budget: £200m.

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Andrew Adonis and William Dawkins assess how London and Paris are tackling the problems of long-term city planning

Vision — and a tale of two cities

In London, dissatisfaction with the capital's transport, planning and environmental problems is growing and, with it, support for an elected city-wide council. On Thursday, the Labour party will announce its plans for an elected Greater London Authority.

Paris acquired just such an authority — the Ile-de-France regional council — six years ago, to add to its already powerful city council, and the region is now debating a new strategic plan for the French capital. London has much to learn from recent Parisian experience.

London is larger than Paris — by about 11m to 10m people (taking the comparable metropolitan populations) — and the cities have their own inherited strengths and weaknesses. Last year's report of the London: World City project* rated Paris ahead in transport and planning control, but London better on culture, commercial accommodation and greenness (it has five times more central parkland).

Nonetheless, similar concerns pervade both cities: inadequate public transport, urban decay, congested roads, development and fears for the quality of life. Both cities have their urban black spots, and neither has escaped the past decade without serious riots. The said, Paris is engaging in more serious — and more public — strategic thinking than is London. It has also done more to improve itself, and has far more ambitious plans for the next decade than can be found across the Channel.

The contrast is most evident in public transport. Paris has significantly enlarged its Metro and suburban rail networks over the past 15 years: inner-city travellers can now find a Metro stop on average every 560 metres, with a train passing every 90 seconds at peak hours, rising to two minutes on the main suburban line. (The best London's suburban Victoria line can manage in the rush hour is a train every three minutes.) The new Paris regional rail envisaged the construction of two city Metro lines, a suburban line and rail links between the five new towns encircling Paris.

The French capital has under-invested in motorways over the past decade — the *periphérique* ring road is no M25, and the average time a city dweller spends in traffic jams has risen fourfold. The regional plan addresses this by proposing a fourth ring road and a series of underground motorways, some to charge tolls. It might sound like a pipe dream, but it isn't. The region's planners stress that the transport schemes — FF260bn (£26.6bn) over 25 years — would only lift infrastructure spending as a percentage of regional gross domestic product to less than half the level achieved in the 1980s.

In London, by contrast, the past decade has seen only one important public transport extension — the notorious Docklands Light Railway, which is being virtually rebuilt to

meet capacity. The Heathrow airport Paddington express, Crossrail (from Paddington to Liverpool Street main-line station) and the Jubilee Under-ground line extension (to Docklands) are due to open in the next decade, but that is the extent of projected expansion. Since London Regional Transport and British Rail project capital spending separately, and only three years ahead, there is no "public transport plan" for the next decade.

As for roads, London's prospects of new links to Docklands, an upgrading of the M25 and North Circular, and a shelving of road pricing (for three years at least) is a poor match for the Paris plans. There is no statutory body to consider the pan-city transport interests of London's councils. The London Boroughs Transport Committee has concerned itself mainly with the Greater London lorry ban, and not all boroughs participate in that scheme or the committee.

Ile-de-France region and the French government are putting the final touches to a comprehensive 25-year planning document, which sets development guidelines for a range of subjects from the environment, through property development, to public transport. This will replace the first plan of its type, agreed in 1966, which laid down a timetable for the completion of the five new cities, the construction of the La Défense business district and the *periphérique*. "We recognise that you need 25 years minimum to change the face of a city," says Mr Pierre Pommet, director-general of the La Défense business district and the *periphérique*.

The two cities approached their prestige edge-of-city-centre developments — Docklands and La Défense — in a similar way, with a special public corporation working to a government brief in each case. But Docklands, excepted, the London-Paris contrast is stark. Within Greater London, each of the 32 constituent boroughs has — or will soon have — a separate military development plan (UDP). Each plan must have regard to "strategic guidance" from the envi-

ronment secretary. The London Planning Advisory Committee, an inter-borough body, is charged with advising ministers on matters of common interest. But the committee has proved relatively weak, and central influence on the content of UDPs has been patchy. Large-scale proposals, like the "east London corridor", have depended crucially on initiatives by environment secretary Mr Michael Heseltine, who is responsible for everything from poll tax to pollution. Development control is a matter for the boroughs acting within the broad remit of their UDPs. Boroughs have the advantage of proximity to those affected by developments; but they are in a poor position to gauge city-wide interests. Their decisions can be overridden by the environment secretary, but the appeal process is cumbersome.

French regional and city officials are seconded high-flying national civil servants — something inconceivable in Britain

bersome. The project to redevelop nearly 50 hectares of derelict land at King's Cross, for instance, has now been before Camden's planning committee for nearly three years, with a hard core of councillors opposed to the very principle of development. It is typical of what Mr Michael Heseltine, of the London School of Economics, calls "the borough effect" — an absurd, a perfect recipe for delay and inefficiency.

The contrasting transport and planning regimes are a product of the two capitals' radically different structures of city government (see graphic). Most of the Ile-de-France region has four elected tiers of government: state, region, department and commune. Most French commentators agree there is one executive tier too many: "We have too many cross-cutting responsibilities and areas of finance."

ing. It's hell," says Mr Jean Chevance, head of staff at the regional Council Régionale. But even if one of the lower three were axed, Ile-de-France would still have a layer more than Greater London.

Ile-de-France, one of the 22 elected regions set up by the first Mitterrand government in 1982, embraces 10.7m people, and extends beyond the built-up metropolis by about 60km south and east, 40km west and 50km north of the city centre. The City of Paris, the largest of the departmental councils beneath it, covers 2m city-centre residents — those living, roughly, within the limits of the Metro/Underground system. The comparable area of London is covered by 12 London boroughs, with the City of London by far the smallest.

It would be wrong to view the authorities as a strict hierarchy. With a 1992 budget of FF18.7bn, the City of Paris spends twice as much as the regional council. The City has had but one mayor since it was created in its present form in 1976: Mr Jacques Chirac, national leader of the RPR neo-Gaullist opposition party and twice-prime minister. The president of the regional council, Mr Pierre-Charles Krieg, is one of Mr Chirac's senior followers.

Moreover, the Ile-de-France region is both more and less than a strategic authority. More, because it has a direct service-providing role. The provision and upkeep of *lycées*, for instance, lies with the region, and Mr Krieg is keen to branch out into universities — a central government responsibility — and other services. "But also less, since final decisions on most important issues — from the regional plan to Metro fares, which are half London's thanks to state subsidies — lie with the government."

The state exercises its authority through a web of state corporations, and through its appointed *préfet* for the region, Mr Christian Sauter, formerly President Mitterrand's most senior adviser. Mr Sauter's appointment in 1980 was widely seen as a bid to re-assert central authority in the

capital which, like most of the French regions, is under the political control of the opposition. Says Mr Krieg: "We are in an ambiguous position. Broadly, the decisions belong to the state and our powers are financial."

But discard memories of the bitter battles between Mrs Margaret Thatcher and the former Greater London Council, led by Mr Ken Livingstone, in the 1980s. Controversy there is: the region objects to financing a large share of the city's public transport investment budget, while Mr Chirac is battling against a significant cut in his government grant caused by the Socialist government's policy of favouring more "deprived" councils. Mr Krieg has recently challenged central authority by withholding cash for environmentally unpopular road schemes, and by building private Catholic *lycées*.

Yet these are mere skirmishes. Daily relations between state, region and city are businesslike. Mr Sauter's office is in the same building as Mr Krieg's and the right-wing regional president maintains friendly relations with his Socialist colleagues.

The Socialists look set to get a thrashing in the March 22 regional and local elections, so Mr Krieg, who holds minority control in the regional assembly, can expect a second term. But whatever the political complexion of the Ile-de-France, it is unlikely to suffer the violent policy changes to which London has been subjected. On policy, inter-party differences are paper thin. "The Socialists might want to spend more, but we always end up agreeing on the main investment issues," says Mr Henri Paul, the region's finance director.

The consensus derives partly from the exigencies of inter-party co-operation, but at least as much from the city's administrative culture. Senior officials of both the region and the city are seconded high-flying national civil servants (something inconceivable in Britain), enjoying close professional and social relations with colleagues in central government. Typically, they will have been to the same elite civil service colleges and share similar views on the government's responsibility for providing services and infrastructure. Ile-de-France is privileged in that respect, and the concentration of resources and skills there is a perennial sore point with provincial regions.

The state, in other words, has its own regional dimension in the Ile-de-France, and had it long before elected regions were introduced in 1982.

Voyons loin, voyons mieux (look far, live better), is the Ile-de-France slogan. Paris has its problems, but if London had a government — national or regional — with the capacity to look farther, Londoners might at least be sure of catching a train on time.

*London: World City, HMSO, £24.95. This is the first of three articles comparing planning and public services in Paris and London.

End of the road

■ When any industry goes through a difficult period, it is inevitable that the changing of the guard is accelerated. Nowhere is this more apparent than in Britain's construction industry. In many ways Sir Eric Pountain, the man who transformed Tarmac into one of Britain's biggest construction companies, personifies the changeover.

Like Wimpey's Sir Clifford Chetwood, and Bobby McAlpine of Alfred McAlpine, Pountain is preparing to hand over the management reins to a much younger generation. Neville Simms, Tarmac's new group chief executive, is just 47. Nevertheless, there is a feeling that despite the present chairman's considerable contribution to Tarmac over the years, he should have handed over earlier.

Pountain is a bit like former Burton boss Sir Ralph Halpern. He was very good at his job at first, but didn't know when to stop. As a housing man, he drove Tarmac's profits ever higher on the back of Mrs Thatcher's 1980's housing boom. This led to an over-investment in land at inflated prices and Tarmac is now suffering the hangover. The other strategic error was to over-expand in the US when other competitors, such as Redland and RMC, were expanding into Europe.

There is an element of luck in all business decisions, but in "Our Eric's" case there is a sense that, despite being the Midlands' most celebrated businessman, he lived too long on his past reputation.

On board

■ One has to admire Edmond Safra's latest coup. Hiring the 71-year-old Javier Pérez de Cuellar, the former UN Secretary-General, as a non-executive director for his various banks, will bolster

OBSERVER

Safra's personal standing in an industry where image is an important asset. The two men met at a dinner party in New York 10 years ago and quickly became friends, so much so that the respected diplomat and his wife have spent holidays at Safra's villa on the French Riviera. The former UN chief says he won't be accepting any other bank or company directorships, although his pay for the Safra board jobs is only slightly higher than the standard \$60,000 a year that other board members receive.

In the secretive world of private banking, trustworthy bankers are more important than fine margins, and Safra's reputation looks sure to gain him the respect of an internationally respected figure like Pérez de Cuellar. "A safe pair of hands," judged one diplomatic commentator, "even though he wouldn't make waves if he fell out of the boat."

All-party gig

■ An unlikely partnership, in the shape of Labour MP Tom Pender and Tory MP Bill Cash, has just got together to launch a no less unlikely project: the Parliamentary All-Party Jazz Group. So far the two

Thinking the jury at the end of the seven-month Barlow Clowes investment fraud trial on Monday, Mr Justice Goffe, the trial judge, said: "Up to recent times, no one could have imagined that our legal system could place such a burden on anyone's time."

In the light of the abandonment last Friday of the third part of the lengthy and complex prosecution arising out of the 1986 Guinness takeover of Distillers, the collapse yesterday of the second Guinness trial, his comments will fuel the debate about whether long and complex fraud cases are suitable for trial by jury.

Yesterday Lord Roskill, the former Law Lord who chaired the three-year inquiry into the conduct of fraud cases which reported in 1986 added his voice to growing concern over the issue by calling on the government to re-think its decision to ignore his advice that complex fraud cases were unsuitable for trial by jury.

"I'm impatient about non-jury trials for complex frauds. This view was right in 1986 and nothing has happened to change my mind."

This issue was central to the Fraud Trials Committee inquiry. The committee concluded, with one dissenting opinion, that complex frauds should be heard by a Fraud Trials Tribunal comprising of a judge and two lay members with experience of business and finance.

Most of the Roskill recommendations, including the establishment of the Serious Fraud Office and the introduction of special pre-trial procedures for prosecuting fraud, were adopted by the government in the 1987 Criminal Justice Act. The government, however, rejected a special Fraud Trials Tribunal.

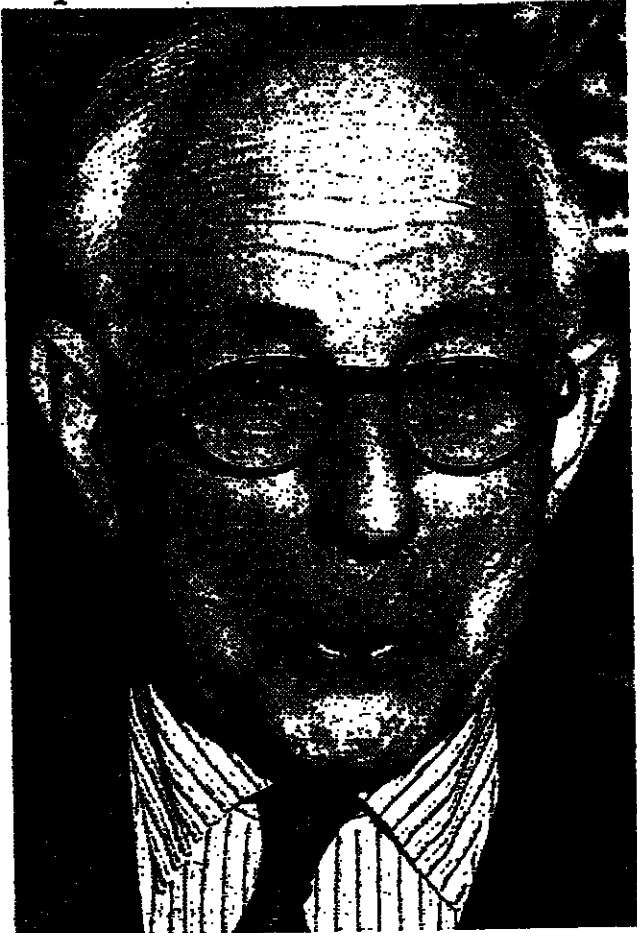
The committee's view was that many jurors were "out of their depth" in complex fraud cases and that the system should have an attachment to jury trial which was "emotional or sentimental rather than logical".

Lord Roskill said in his report that the material he had encountered in commercial fraud cases had been "unusually complex". Yesterday, he accepted that the difficulties facing the juries in the recent cases were mainly the result of the volume of material. The issue of whether 12 ordinary men and women could understand complex fraud cases or had to sit through trials of this length remains unresolved, he added.

A further problem thrown up by the three trials was their length. Not enough use was being made of pre-trial hear-

The case for no jury

Robert Rice on the potential impact of the Barlow Clowes trial



Lord Roskill chaired the Fraud Trials Committee

ings to whittle cases down to manageable proportions before trial, Lord Roskill said.

The Fraud Trials Committee had recommended that a trial judge should be nominated at the initial stage of a proposed prosecution and given the power to discharge the defendant at a preparatory hearing or to reduce the charges on the ground that the prosecution evidence was insufficient. Effective pre-trial reviews were a vital ingredient of the successful prosecution of fraud, the committee said.

The system would only work if trial judges subjected the prosecution case to close scrutiny in pre-trial hearings, the

procedures had not been properly used, Lord Roskill said.

"A very firm line must be taken at preliminary hearings so that the issues have been streamlined by the time the case gets to trial," he added.

Lord Roskill's views are still not accepted by the one dissenting member of his committee, Mr Walter Merricks, a solicitor and assistant secretary-general of the Law Society, who had not changed his mind over the need to maintain trial by jury in complex fraud cases.

He said there was an essential unfairness in distinguishing between murderers, drug traffickers, burglars and rapists on the one hand and financial fraudsters on the other. "Why should the man who stole £100,000 from a bank using a shotgun be allowed the right to trial by jury, while the man who used a computer is denied the same right?" he asked in the report.

A jury would almost always be more favourable to a defendant than a tribunal, Mr Merricks wrote. When a defendant was convicted, he would not say the jury was biased. But a tribunal of professionals might be accused of bias. If they acquitted a defendant, the public might say they were helping out their city friends.

The presence of a jury also ensured that the case had to be comprehensible to the press and the average member of the public. The fundamental issue in fraud cases was dishonesty, and it was dangerous to entrust the judgment of this to experts, Mr Merricks wrote in the report.

"I still think it is wrong to single out one type of criminal trial and say 'somehow these cases are special'," he said yesterday. "In my view you would never be able to define properly what makes a case so complex that it has to be heard by a special tribunal. You would end up spending more time in pre-trial hearings arguing whether it was a special case or not and appealing it than you would if you just got on and put it before a jury."

Lord Roskill's call for a reconsideration of the question of a special tribunal is likely to increase pressure on the government to act.

With further cases pending - alleged frauds arising out of the Bank of Credit and Commerce International and the Polly Peck fruit and electronics group, and potential charges from the collapse of the Maxwell empire - the government can no longer afford to ignore growing public concern that the UK seems to have difficulty in successfully prosecuting the perpetrators of financial misdeeds.

former Law Lord said yesterday. "The whole object was to cut down the length of the eventual trial."

The correct use of the pre-trial procedure in the Guinness prosecution had reduced the length of the first Guinness trial by an estimated 25 per cent, he said. Even then it had still lasted more than six months.

In the Blue Arrow trial, which started on February 11 last year, a great deal of time had been spent arguing points in the absence of the jury (which was out of court for roughly 50 per cent of the total length of the trial). This suggested that the pre-trial

Edward Mortimer

All Atlanticists now

A close and more balanced partnership between the US and Europe will cement the alliance



FOREIGN AFFAIRS

J Danforth Quayle has cut a more impressive figure in the US than the European tour than the bumbling image long projected in the press and elsewhere. Last weekend I heard him deliver a spirited address, quite different from the text issued in advance, to the Munich Conference on Security Policy, and then field questions with a coherence and poise that President George Bush might well envy.

As one US observer who was also present put it: "People are always surprised that he can walk and chew gum at the same time. He's no genius, but you can't go through a swing door in Congress without knocking into several people dumber than Dan Quayle."

Mr Quayle did not threaten, as newspaper headlines (including the FT's) suggested, that the US would pull out of Nato if the EC failed to make concessions in the General Agreement on Tariffs and Trade.

Some of the Republican legislators present came closer to it. Senator William Cohen, for instance, warned of a "prevailing and popular view in the United States that Nato is no longer relevant, necessary or affordable". Senator Richard Lugar, a former chairman of the Foreign Relations Committee, interpreted a statement made the previous day by the Dutch foreign minister, Mr Hans van den Broek, as meaning that Europe had come together on the "lowest common denominator" in the Gatt talks, "and this put them further away from the US". This, Mr Lugar said, "will undermine all that we are talking about in terms of the US and Nato... Americans will not stay where they are not wanted."

Compared with this, Mr Quayle's remarks were very positive. He did say that the Gatt round was "critical to the security of Europe, the security of the United States [and] the security of Asia", because a world fragmenting into trade blocks with no "comprehensive understanding" between them would be a less secure one. He did say that the compromise framework proposed by Mr

Arthur Dunkel, the Gatt secretary-general, represented the way to go. People on both sides "are going to nip at that", he added, "but friends, we have to get on with it."

It is hard to imagine any American official saying less than that to a European audience in present circumstances, and so far from threatening a withdrawal from Nato, Mr Quayle went out of his way to play down the importance of isolationism and protectionism in American politics.

Unlike Mr Cohen, who had warned that "many would like to retreat into a continental cocoon and zip out the rest of the world" and that more statesmanlike attitudes would not be rewarded by the electorate, Mr Quayle said: "Protectionism in some districts is advantageous to getting elected, but I'm telling you that is not the way to get elected president of the United States."

If the British Labour party is now more Atlanticist than the Americans, perhaps the French Socialist government is now more Gaullist than the Gaullists

He claimed it had backfired against both Mr John Connally in 1980 and Mr Dick Gephardt in 1988, and that in the current New Hampshire primary Senator Bob Kerrey had withdrawn a protectionist TV commercial, admitting it was a mistake. It was in reply to this that Mr Quayle - perhaps playing hard cop to the vice-president's soft one - said that "the tides towards isolationism and protectionism, even though beaten back, are very strong."

After listening to all this it seemed quaint to hear Mr Martin O'Neill, defence spokesman of the British Labour party, declare at the same Munich conference that the "single largest threat" to the Atlantic alliance was "the uncertainty created by the floating of the concept of a Franco-German force". This, Mr O'Neill said, "creates problems going to the very heart of the alliance."

How, he asked, would it

relate to Nato's command structure, in which Germany at present participates while France does not? Who, he went on - apparently supposing that Bonn and Paris were bent on a complete merger of their entire armed forces - would have responsibility for French nuclear weapons? And he concluded with a solemn warning that "those who use their Europeanism to cloak their continental chauvinism do no service to either cause."

Very strange. Mr O'Neill, spokesman of a party which has often been critical of US leadership, and which now regularly accuses its Conservative opponents of being half-hearted about European integration, appeared to be supporting Mr Richard Perle, the ultra-hawk or "prince of darkness" of the Pentagon during the Reagan years. Mr Perle had warned that "French policy is aimed at the destruction of the alliance which has served us so

cere attempt to strengthen it, which they hoped other European countries would join. More interesting was the reaction from Mr Jacques Bachelard, a veteran Gaullist leader, who said that the changes now in progress had removed the grounds of General de Gaulle's original objections to Nato's integrated command structure back in the 1960s. France, he said, already took part in numerous Nato groups and committees, and had "no ambition to be the Albania of the western alliance".

As for Franco-German friendship, "one of the post-war miracles", this was the last thing anyone should be reproached for. The vast majority of French people wanted the Americans to stay in Europe. "But the Europeans can play a bigger role in the alliance. It would be very unfortunate if the Atlanticists and the Americans were to reject this gift that they're being offered."

It is a pity that the French government, which has to make policy on the basis of nods and winks from the ever inscrutable President Francois Mitterrand, does not express itself so clearly on this issue. If the British Labour party is now more Atlanticist than the Americans, one could perhaps say that the French Socialist government is now more Gaullist than the Gaullists. For while it frequently proclaims its support for the alliance and its desire to see the US remain involved in Europe, it also gives the impression that it fears American hegemony and wants to see Europe develop a political and military identity completely independent from the US.

To that extent Mr Perle and Mr O'Neill are right. Where they are wrong is in failing to understand and support the efforts of the Germans, and more generally of France's European partners, to wean France away from this anachronistic attitude and engage it in building Europe on the only realistic basis, which is that of a close, even if more equally balanced, alliance and partnership with the US.

In accepting the role of the Western European Union as defined at Maastricht last December, the French have in fact come a long way in that direction. They should be encouraged, not rebuffed.

LETTERS

Impractical poaching

From Mr Richard Brown.
Sir, Your report "Employers face transfer fee for poached staff" (February 10) raises interesting questions in an EC context. The practicality (which is highly questionable) of such a fee aside, it seems likely that the ability to inhibit employees from changing jobs would *prima facie* contravene articles 43 and 49 of the Treaty of Rome requiring the removal of obstacles to the free movement of workers. Indeed, this has already been debated in the European Parliament.

Commission and Court of Justice with regard to an Italian footballer. Attempts to resolve the "poaching" problem are welcome, but the price of introducing new rigidities into the labour market is too high. Richard Brown, director of policy, Association of British Chambers of Commerce, 9 Telford Street, London SW1

US not 'softening' chip agreement with Japan

From Ms Coria A Hills.
Sir, Your article on the US-Japan semiconductor agreement ("Fresh cracks in US-Japan chip pact", February 6) was incomplete. You quoted my statement: "If the market share is 19 per cent, that will not necessarily be a breach of the agreement". However, you failed to include the latter part of my statement: "And if it is 21 per cent, that will not necessarily mean compliance."

The Bush administration is not "softening" its support for the agreement. Rather, I have told Japan that we expect full implementation. The level and growth of foreign market share are of great importance in assessing whether the arrangement has been fully implemented.

In accordance with the arrangement, we intend to pay "particular attention" to market share. In this regard, we are greatly concerned with the apparent flat trend in foreign market share in the Japanese semiconductor market over the past year.

The arrangement also calls on the two governments to consider other "quantitative and qualitative factors". We regularly review such factors, including the development of foreign semiconductor design, and other long-term relationships between Japanese and foreign companies.

The Bush administration will continue to act forcefully to open the Japanese market for US and foreign semiconductor producers. Coria A Hills, United States Trade Representative, Executive Office of the President, Washington DC, US

and construction heavily may make members more cautious. But the profession's leaders will press for constructive changes now as in the past and will put the needs of the profession's clients and members first, and the institution's structure second.

Ted Watts, president, Royal Institution of Chartered Surveyors, 12 Great George Street, Parliament Square, London SW1P 5AD

markets, and by extending the applications of its skills. RICS rules have changed to permit practice with limited liability, to permit qualification overseas based on property law and practice in other jurisdictions, and to delegate academic examinations to higher education institutions.

In a body of 67,000 qualified professionals - and 22,000 working for qualification - each set of changes needs analysis and explanation. A recession which has hit property

Shock to competitiveness

From Mr J D Rodger.

Sir, The commentary on electricity prices for large industrial customers in the Lex column (February 5) missed the vital issue. The recession is only an aggravating factor; the main concern of large users is the impact of electricity price increases on their international competitiveness.

By the middle of this year, large users will have seen their electricity prices increase by roughly 50 per cent since 1987. In most other west European countries prices have shown little change in that period.

For most large industrial customers product prices are set in international markets. In the short term, they have the choice of losing business or losing profit margins as a result of electricity price increases. In the long term, an uncompetitive cost structure means factory closures and job losses at home and new investment abroad.

A strong manufacturing sector, as the government knows, is vital for the future health of the UK. As large energy users, we must urge support for our international position. J D Rodger, executive director, business development, Chemical Industries Association, Kings Buildings, Smith Square, London SW1

Fax service
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Chartered surveyors body not averse to change

From Mr Ted Watts.

Sir, Vanessa Houlder is wrong to assume (Property Market, February 7) that the Royal Institution of Chartered Surveyors will back away from a radical approach to future market needs.

The profession has an excellent record of change. Without the protection of statute or registration systems, it has prospered by serving clients' needs. In the last 30 years, the profession has expanded by merger, by entering overseas

markets, and by extending the applications of its skills. RICS rules have changed to permit practice with limited liability, to permit qualification overseas based on property law and practice in other jurisdictions, and to delegate academic examinations to higher education institutions.

In a body of 67,000 qualified professionals - and 22,000 working for qualification - each set of changes needs analysis and explanation. A recession which has hit property

hold British aid to Indonesia, which last year grew to £22.7m. While the intense pressure of world opinion has forced the British government to make disappointing noises about the massacre, they have bent over backwards to accommodate the Indonesians. Lynda Chalker, for example, gave dangerous credence to the Indonesian government-appointed national commission of inquiry by describing it repeatedly in parliament as "independent".

Dominated by high-ranking military and government figures, the commission was discounted from the outset by genuinely independent observers like Amnesty, which this

Opposition doubts UK government commitment to aid conditions

From Ms Ann Chayd MP.

Sir, Lynda Chalker, you report, says that, "where human rights are systematically abused, or where aid is feeding corruption rather than growth, we shall have no alternative but to cut it" ("Chalker says of making aid commitment", February 7). Coming days after the Indonesian sign minister's visit to aim, the statement could have thrown into stark relief the yawning gap between conservative government's words on "good government" and its lack of action.

November's Dili massacre, the Indonesian army in Timor, horrific enough in itself, hardly came out of the blue. It was, in Amnesty International's recent words, part of the "long-standing and continuing pattern of human rights violations in East Timor and Indonesia". It was a pattern I witnessed first-hand when I visited three years ago, and one that continues. The Indonesian reaction to the Dili massacre has itself consisted of yet further violations, including imprisonments, torture and extrajudicial executions.

If this does not measure up to Lynda Chalker's yardstick of "systematic abuse" of human rights, I fail to see what does. And yet she and the prime minister still refuse to withhold British aid to Indonesia, which last year grew to £22.7m.

While the intense pressure of world opinion has forced the British government to make disappointing noises about the massacre, they have bent over backwards to accommodate the Indonesians. Lynda Chalker, for example, gave dangerous credence to the Indonesian government-appointed national commission of inquiry by describing it repeatedly in parliament as "independent".

Dominated by high-ranking military and government figures, the commission was discounted from the outset by genuinely independent observers like Amnesty, which this

week stated that it was "fatally flawed and that its findings are unacceptable". The truth, of course, is that, while the pious rhetoric of "good government" has grown of late, short-term commercial and political expediency continue to dictate government policy in practice - just as it did when it allowed the sale of arms to Saddam Hussein's Iraq or supported the factions fighting side-by-side with Pol Pot's Khmer Rouge in Cambodia.

Ann Chayd, shadow minister for overseas development and co-operation, House of Commons, London SW1A 0AA



GIORGIO ARMANI

178, Sloane Street, London

INTERNATIONAL COMPANIES AND FINANCE

MCC pensioners may have no claim on missing money

By Bronwen Maddox in London

PENSIONERS of Maxwell Communication Corporation, one of the public companies of the late Mr Robert Maxwell, may have no claim on the company to make good money missing from the pension fund, Price Waterhouse, MCC administrator, said last night.

According to legal advice, Price Waterhouse is obliged to prefer the highest bid for an MCC subsidiary over one that offered to repair the pension fund, the accountancy firm said.

Price Waterhouse, which is soliciting bids for at least four MCC subsidiaries, added it had "a duty to Maxwell Communication Corporation's creditors

but not to its pensioners". Law Debenture Trust Corporation, the firm appointed trustee of the MCC pension fund, is attempting to estimate how much of the fund was raised - along with pension funds of some other Maxwell companies - to support the late Mr Robert Maxwell's tottering private companies.

It added that some interested bidders had proposed to compensate employees they considered essential to the businesses for damage to their pensions.

Price Waterhouse is now asking for bids for Nimbus, the compact disc manufacturer, Panini, the Italian sports sticker printer, and Maxwell

Business Communications Group, a magazine and exhibition publisher. It has just closed its requests for bids for MacDonald, the UK book publisher.

Some of the pension funds, including Nimbus's, were kept separate and are intact. MacDonald, which had turned over last year of £23m (£45m), owed its parent £33m at the beginning of 1992.

Mr David Lee, the Price Waterhouse partner in charge of the investigation into the disappearance of about £50m of MCC's assets, said last night that he had not yet asked to interview MCC directors and officers, but would do so.

Amstrad slides into the red for first time

By Michio Nakamoto in London

AMSTRAD, the UK electronics and computer group, suffered a loss for the first time in its history as it was hit by severe price-cutting among personal computer-makers and recessionary pressures.

The group reported a loss before tax of £15.18m (£17.17m) in the six months to the end of December, against a profit of £40.98m previously.

The interim dividend is held at 0.4p. The results were in line with expectations, and the shares added 2p to 28p in London on the news.

Mr Alan Sugar, chairman of Tottenham Hotspur, the north London football club, said Amstrad's balance sheet was strong and it planned to cut costs.

Overall sales fell 40 per cent to £194.07m, from £326.83m. Sales declined sharply in the games computer business, where it faced intense competitive pressure from Nintendo, and a sector of the personal computer market.

Amstrad withdrew from games computers, a division which provided 11 per cent of turnover previously, as it was not profitable enough. The move accounted for about 70 per cent of the volume decline in the period.

Sales of IBM compatible personal computers, in particular, were hit by price reductions by IBM.

Mr Sugar stressed the group's commitment to the personal computer market.

Although stocks were high, at about £175m, Amstrad does not expect to have to make significant inventory write-downs this year as it did at the last year-end.

Sales in satellite dish television receiver, word processor and fax machine divisions had been buoyant, Amstrad said.

The group's balance sheet remains strong, with net cash balances of £40m. Loss per share came to 1.5p, against earnings of 4.5p last time.

Net asset per share was, however, nearly twice the share price at 54p, against 59p last time.

Lex, Page 12

Metallgesellschaft posts 32% fall

By Andrew Fisher in Frankfurt

METALLGESELLSCHAFT, the German metals, mining and engineering company, continues to suffer from low non-ferrous metal prices but hopes that profits will improve in the current year, ending September 1992.

Mr Heinz Schimmelbusch, chief executive, said yesterday that earnings in the first four months of the 1991-1992 fiscal year had been slightly below those for the same period of the previous year.

Two depressants on prices have been smelting over-capacity in western Europe and increased sales from Stora of Sweden for DM1.45bn. Metallgesellschaft holds 80 per cent, and Deutsche Bank and Dresdner Bank own 10 per cent each.

These activities comprise Buderus (building materials and engineering plastics). Last year, these activities made a pre-tax profit of DM200m.



Heinz Schimmelbusch: improvement expected and stainless steel goods.

One reason the group feels the bottom has been reached in its downward profit trend is that its new smelters, with advanced operating and anti-pollution technology, are starting to contribute to profits after high start-up costs and some teething troubles.

Also, older smelters operated by rival companies are thought likely to close gradually for environmental reasons.

Among other group activities, Lurgi, the industrial plant subsidiary, booked a 40 per cent rise in new orders in the first quarter. Kolbenschmitt, the motor parts maker, was trying to recover from a profit slump caused partly by the poor state of the US market.

Elkem suffers NKr528m loss

By Karen Fosell in Oslo

ELKEM, the troubled Norwegian metals producer, yesterday reported 1991 pre-tax losses of NKr528m (\$104.2m), compared with a loss of NKr659m the previous year. It is passing its dividend for the second year running.

In 1990, group losses included a NKr428m charge for restructuring and write-downs of assets.

Group sales fell by NKr194m to NKr7.814bn, but operating costs were reduced by NKr42m to NKr7.624bn. Operating losses widened to NKr209m from NKr35m in 1990.

However, Elkem said that it had made a NKr179m gain on the sale of a 50 per cent share in Alcoa Nederland but

NKr185m had been charged to accounts for restructuring.

Of the total restructuring charge, NKr80m covered 1991 staff reductions of 1,000 to 6,600, while NKr75m was allocated to cover 1992 measures.

Elkem added that it expected to reduce staff this year by about 300.

Elkem explained that last year it had experienced increased competition in its main markets, and it warned that current prices in "real terms" for several of its products were at their lowest levels in 20 years. The company suffered from low demand and over-capacity in world markets which depressed prices.

Elkem is evaluating "vari-

ous" measures to strengthen its balance sheet and to reduce the amount of capital employed, "including the possible sale of business units that have limited strategic significance".

The company also said that it was seeking to co-ordinate changes in the structure of the ferro-alloys industry with other Norwegian metals producers and to secure long-term access to raw materials for the production of manganese and chrome alloys.

The emphasis, the company said, would be placed on measures which reduce costs, utilise economies of scale and secure the greatest possible capacity utilisation.

Peugeot buoyed by second half

PEUGEOT, the French car maker which includes Citroën, last year achieved a virtually unchanged group turnover of FF160.17bn (\$26.2bn), compared with FF158.96bn a year earlier, thanks to a strong recovery in the second half, writes Kevin Dona.

The company said yesterday that sales had risen year-on-year by 8.7 per cent in the final quarter to FF41.99bn. In the first half, group turnover fell by 6.3 per cent.

Kone pre-tax result slips

By John Burton in Stockholm

KONE, the Finnish elevator producer, yesterday reported a 20 per cent fall in pre-tax profits to FF4494m (\$108.6m) for 1991, while sales increased by nearly FF2bn to FF10bn.

The dividend for 1991 will be the same as in 1990, at FF9 per A share and FF10 per B share. Income after taxes but before allocations decreased by 30 per cent to FF280.7m.

Kone said its elevator business, which accounts for 71 per

cent of the company's total sales, had a 14 per cent increase in orders last year.

Demand declined in the main markets of Europe and North America but grew in Asia and Central America. The order book stood at FF6bn at the end of 1991, the same level as a year earlier.

MacGerron-Navire, the marine technology division, was the fastest growing unit, with sales up by 40 per cent.

SAS reclaims Linjeflyg control

By John Burton in Stockholm

SCANDINAVIAN Airlines System (SAS) yesterday bought 51 per cent of Linjeflyg, the Swedish domestic airline, in a move to consolidate its position in the Nordic market.

The deal involved SAS reacquiring a half-share in Linjeflyg that it had sold only 17 months ago to Bilspeidition, the Swedish transport company, while gaining another 1 per cent from ABA, the other main shareholder in Linjeflyg and one of the owners of SAS.

Terms were not disclosed, but Bilspeidition said it would make an accounting loss of SKr150m (\$24.7m) on its share of Linjeflyg, which it had purchased for SKr475m in September 1990.

Although Linjeflyg would remain an separate airline, SAS said it would closely co-operate with it and appoint

a project group to rationalise its business activities.

SAS hopes that its takeover of Linjeflyg will increase its market share of domestic flights within Scandinavia from the current level of 87 per cent to at least 90 per cent.

Mr Jan Carlzon, the SAS president, said the airline needed to strengthen its domestic market position in anticipation of the deregulation of European air transport in 1993.

"In contrast with almost all of our European competitors, SAS competes with a number of other local operators in its home market," said Mr Carlzon, who noted that KLM controlled all Dutch air traffic.

Domestic competition between SAS and Linjeflyg would have led to losses for both companies if it continued,

Mr Carlzon contended.

The government, which has promised to increase business competition, said it approved the SAS deal, although it was criticised by the country's anti-trust authorities.

The government owns half of ABA, which controls 43 per cent of SAS. SAS sold its half of Linjeflyg in 1990 amid predictions that deregulation of Sweden's air traffic market would reduce the carrier's profits.

At the time, Bilspeidition viewed Linjeflyg as a means to expand its air freight services. However, a 26 per cent fall in domestic passenger traffic and rising operating costs made the venture an unprofitable one.

In return for selling its share of Linjeflyg, Bilspeidition will acquire the Jet Pact express service for SKr30m. Jet Pact is owned by SAS and Linjeflyg.

French-Italian textiles group formed

A NEW grouping in the specialty textiles business is being formed through a deal between Chargeurs Reunis, a subsidiary of the Chargeurs group of France, and Finordi, a privately-owned Italian textiles group, writes Haig Simonian in Milan.

Under the transaction, Chargeurs is selling Delcor, a leading French producer of knitted

textiles for sports and leisure use, to Sgat Italia, a specialist maker of outer wear owned by Finordi. In return, Chargeurs Textiles will take a 35 per cent stake in Sgat Italia.

The acquisition follows Finordi's purchase last December of Sital, a French company which is the leading manufacturer of textiles for winter sports wear.

Bikuben buys assets of Baltic bank

By Hilary Barnes in Copenhagen

BIKUBEN, Denmark's third largest bank, has acquired the assets of Børnholm Bank following the latter's declaration of bankruptcy. The bank has re-opened under its new owners.

Børnholm Bank is a local bank for the Baltic island of Bornholm. It was sunk by the crisis in the island's fisheries industry.

Large loss provisions exhausted its equity capital, which on June 30 stood at DKr87m (\$14.3m), said Bikuben. Its balance sheet total at the end of 1990 was DKr56m.

Copenhagen Bank, a small bank which closed last week when it went into receivership, was re-opened after the intervention of a group of wealthy private investors.

The bank was owned by Accumulator Invest, the investment and property company dominated by Mr. Klaus Rikhard Pedersen, the Danish Euro MP.

Berliner Handels und Lønning Bank, the seventh biggest private bank in Germany, has acquired a 40 per cent stake in Czechoslovakia's Zivnostenska banka, Reuter reports.

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In accordance with the standard conditions relating to the payment of the dividends declared on 16 January 1992, payments from the office of the United Kingdom Registrar will be made in United Kingdom currency at the rate of exchange of £5.0290 South African currency to £1 United Kingdom currency, this being the best available rate of exchange for remittances between the Republic of South Africa and the United Kingdom on 10 February 1992, as advised by the companies' South African bankers.

The United Kingdom currency equivalents of the dividends are therefore as follows:

Name of Company	Dividend	Amount per share
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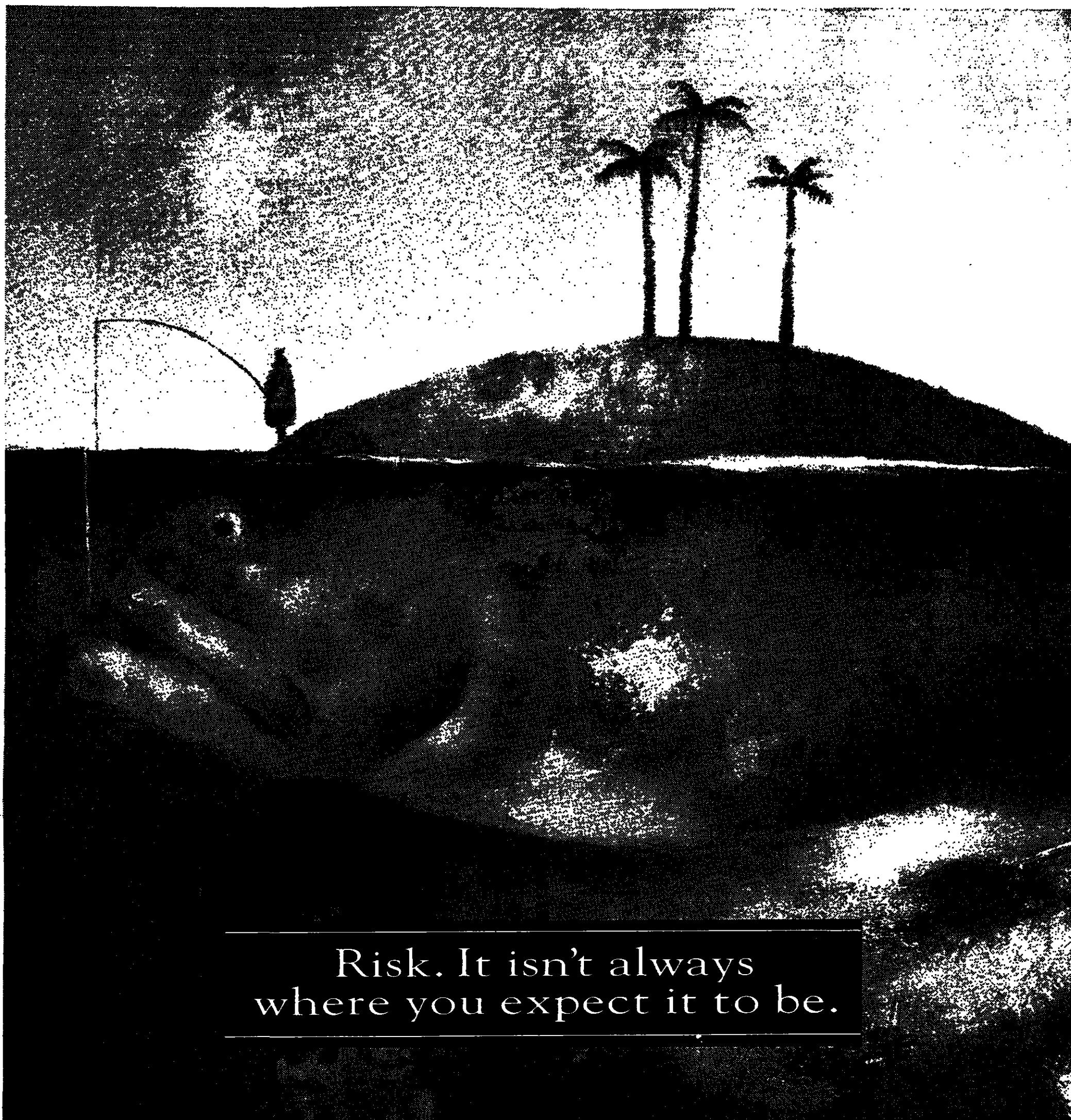
Notice is hereby given in accordance with the Redemption and Purchase Clause (b) of the Terms and Conditions of the Notes, that all outstanding Notes will be redeemed at their principal amount on March 20, 1992 when interest on the Notes will cease to accrue. Payment of Principal together with payment of interest in respect of Coupon No.16 will be made in accordance with the Terms and Conditions of the Notes, at the offices of any of the Paying Agents who continue to be listed in the Terms and Conditions of the Notes.

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INTERNATIONAL COMPANIES AND FINANCE

Plant sale boosts net at Goodyear

By Alan Friedman in New York

FOURTH-QUARTER net earnings at Goodyear, the last surviving US tyre-maker, were boosted by a \$43.2m extraordinary after-tax gain from the sale of an Alabama tyre cord plant. The company also forecast the sale of more non-tyre assets during 1992.

The Ohio-based Goodyear yesterday reported net profits of \$105.1m, or \$1.65 per share, for the fourth quarter of 1991, up sharply from the \$11.6m, or 20 cents of the last quarter of 1990. Fourth-quarter sales of \$2.9bn were down slightly on the corresponding period in 1990.

Goodyear's fourth-quarter

earnings, which were forecast by the company last month, would have been 97 cents a share without the gain from the Alabama asset disposal. Lower interest expenses also helped the company's net result.

For the whole of 1991, Goodyear managed net earnings of \$36.6m, or \$1.61, against a loss of \$38.3m, or 66 cents, in 1990. The company last month forecast a \$96m 1991 net profit. Revenues for 1991 were 3.2 per cent lower at \$10.5bn.

Wall Street reacted to the result by marking the shares \$1 higher to \$61 1/4. The share price has benefited in recent

weeks from the bull market in equities and from an intensive campaign to tell investors and analysts about Goodyear's recovery prospects. The campaign has been led by Mr Stanley Gault, chairman.

Mr Gault said yesterday he was pleased with the earnings improvement, although he acknowledged that worldwide demand for tyres and other motor vehicle products remained weak.

He said the company's efforts to contain selling, administrative and general costs was yielding positive results. Goodyear was also helped by lower raw material

costs and savings from its restructuring programme.

Mr Gault said that during 1991 Goodyear's debt was reduced by \$1bn, to \$2.6bn. This was due to the Alabama asset sale and to the sale of \$52m of Goodyear stock. He said debt and interest costs would decline in 1992 as a result of further non-tyre asset sales.

For all of 1991, Goodyear's tyre division had operating income of \$620.6m, compared with \$464.4m in 1990. Revenues in the tyre division were 2.3 per cent lower at \$9bn. Revenues in the general products division were down by 5.4 per cent.

Asset sale lifts Sydney mine group out of red

By Bruce Jacques in Sydney

PANCONTINENTAL Mining, the Sydney-based metals company, has staged a big earnings turnaround in the first half to December, following the sale last year of its stalled Jabiruka uranium prospect in the Northern Territory.

The company turned an A\$83.73m (US\$62.9m) net loss into an A\$57.88m profit on a 17 per cent rise in revenue to A\$101.6m.

The turnaround came from an abnormal gain of A\$67.9m on the sale of Jabiruka to Energy Resources of Australia, which operates the nearby Ranger uranium mine.

Mr Lindsay MacAlister, managing director, said the group had offset reduced earnings from mining operations by book-keeping and his fall in interest payments. Net debt fell A\$48m to A\$173m in the period.

Mr MacAlister said the company had signed a new five-year US\$107.3m loan facility in December, replacing existing facilities. Dividend has again been passed.

Pancontinental shares have risen strongly in recent months, and yesterday gained 5 cents to 98 cents on the Australian Stock Exchange.

Implant dispute prompts shake-up at Dow Corning

By Karen Zagor in New York

THE magnitude of the silicone breast implant controversy has been reflected in a management shake-up at Dow Corning, the biggest maker of the devices, which has appointed a new chairman and chief executive to help cope with growing concerns about the product.

Mr Keith McKennon, a former executive at Dow Chemical, has been named Dow Corning's chairman and chief executive.

He replaces Mr Lawrence Reed as chief executive and Mr John Ludington as chairman. Mr Reed was named chief operating officer and will retain his role of president of the company.

Mr Ludington said the changes came after the board decided "the company must focus top executive attention

to both the complex issues related to silicone breast implants as well as the ongoing operations of the company."

Dow Corning is a 50-50 joint venture between Dow Chemical and Corning.

The move comes one week ahead of a Food & Drug Administration (FDA) advisory panel meeting to decide if silicone implants are safe enough to remain on the market.

There has been a moratorium on the devices since January.

Mr Robert Ryles, head of Dow Corning Wright's health care businesses, said the company was committed to continue "the research on the safety of the materials used in implants and report the results to the FDA and the public," regardless of the FDA panel's decision.

The recognition of the importance of the implant issue is a significant change in stance for Dow Corning. When the FDA advisory panel ruled in November that the implants had not been proved safe, the company said it strongly disagreed with the decision. Dow Corning later became an outspoken critic of what it termed "baseless innuendo and anecdotal claims" made by critics of breast implants which the company said overlooked scientific data.

Although the implants contribute less than 1 per cent to Dow Corning's \$2bn annual sales, the controversy has taken its toll on Dow Corning's shares amid growing concern that the company will be swamped with lawsuits. Dow's shares fell \$1 1/4 yesterday to \$56 1/4, yesterday, while Corning's dropped \$1 to \$23 1/4.

Mitsui to invest in US film group

MITSUMI, the Japanese trading company, has joined forces with a group of investors, including a fund controlled by the Pritzker family of Chicago, to invest an initial \$100m in Savoy Pictures, a new film distribution company, writes Alan Friedman in New York.

Among the investors and managers of Savoy Pictures will be Mr Victor Kaufman, former chief executive of Columbia Pictures, and Mr Lewis Kornat, former chief operating officer of Columbia. Both left Columbia after it was acquired in 1989 by Sony of Japan.

Savoy is Mitsui's first investment in the US film industry, but the Japanese company is a minority investor.

The largest single equity stake is held by GKE, an investment fund controlled by Mr Jay Pritzker.

Also investing in Savoy is Allen & Company, the investment boutique, and Mr Andy Vajna, one of the founders of Caroleo Pictures, the independent film company.

UAL scales back aircraft order

By Nikki Tait

UNITED Airlines, one of the three largest US carriers, plans to take delivery of only 155 new aircraft between 1992 and 1995, compared with the 278 it had on order or option.

The cost of the scaled-back deliveries will amount to \$12.3bn, compared with \$18.9bn had the full order been purchased.

Boeing, the Seattle-based aerospace manufacturer, will bear the brunt of the cutbacks. United said "the focus of the change" would involve a reduction of 44 Boeing 737s and 60 Boeing 767s.

Boeing's response was to

point out that no firm orders, nor any options, had actually been cancelled by United; rather that delivery dates had been delayed until after 1995.

It said that while the "rescheduling" had affected some Boeing 737s on firm order, in general United's reduced fleet purchases between 1992 and 1995 affected aircraft which had only been under option.

Boeing said the effect of the reductions had been anticipated when it announced plans to cut the production rate of its 737 aircraft from 21 a month to 14, beginning in October 1992.

United, for its part, stressed that it intended to take the full 1992 complement of 66 aircraft, a mixture of Boeing 747s, 757s, 767s and 777s.

After reporting its largest-ever quarterly loss of \$252.6m, United last month warned of capital spending cuts of at least \$2bn, blaming the sluggish economic outlook.

Its rescheduling of aircraft deliveries follows similar moves by American Airlines, which decided last year to defer some options, allow others to lapse, and extend delivery dates for some aircraft on firm order.

Cincinnati Milacron returns to black

By Karen Zagor

CINCINNATI Milacron, one of the world's biggest machine tool makers, returned to the black in the fourth quarter, despite declining sales, after three unprofitable quarters in 1991.

Mr Daniel Mayer, chairman, predicted that 1992 would be profitable, thanks to lower

costs, new products and a sizeable backlog, although he expected a slow first quarter.

For the fourth quarter, ended December 28, the company had net income of \$4m, or 15 cents a share, compared with a loss of \$31.1m, or \$1.15 a share, in the third quarter. The 1990 figures were muddled by special

charges which cost the company about \$1.13 a share. Sales fell 6 per cent to \$201.9m from \$214.7m.

For 1991, Cincinnati Milacron recorded a net loss of \$100.2m, or \$3.67 a share, including one-time charges of \$90m, against a net loss of \$24.3m, or 95 cents, in 1990.

Growth rate slows at Thai banks

COMBINED net profits of the 15 Thai commercial banks rose to Bt19.46bn (\$307.5m) in 1991, up 25.4 per cent from Bt15.52bn a year ago, according to Bangkok Bank, Reuters reports from Bangkok.

Bangkok Bank said the slowing rate of earnings growth, compared with 1990 when profits soared 85.4 per cent, may be due to an economic slowdown, wide interest rate fluctuations, and higher operating expenses and staff salaries.

Bangkok Bank said its 1991 record profit of Bt7.5bn accounted for 37.3 per cent of total net after-tax earnings of all Thai banks.

Bangkok Bank was followed by the Thai Farmers Bank with Bt3.4bn, or a 17.5 per cent share, and the Siam Commercial Bank at Bt2.7bn, or 13.9 per cent share.

Bangkok Bank's 54.7 per cent earnings growth was the highest among Thai banks, while three medium-sized and small banks posted annual profits between 3.3 per cent and 32.3 per cent lower than a year ago.

Total Thai bank lending rose to a combined 21.8 per cent in 1991, to an outstanding Bt1,797.4bn at the end of December. Bangkok Bank's credits accounted for 27.7 per cent of overall bank loans, followed by Krung Thai Bank at 14.5 per cent, Thai Farmers at 13.4 per cent, and Siam Commercial at 10 per cent.

Riyad Bank flotation heavily oversubscribed

A SHARE offering by Riyad Bank, representing the biggest flotation in Saudi history, was oversubscribed by more than three times, Reuters reports from Riyadh.

Sheikh Ahmed Abdul-Latif, managing director, said 689,000 Saudi investors had applied for shares worth SR12.6bn (\$3.34bn). The bank, the second biggest in the kingdom in terms of assets, owned 50 per cent of the shares, with SR2.5bn to the Saudi public last month.

Shares were priced at SR475 each, compared with trading levels of about SR750. Established in 1957, Riyad Bank has assets of about SR24.4bn. It posted a net profit of SR248m in 1990.

Sheikh Ahmed said share trading on Saudi Arabia's unofficial stock market would continue to be slow because of high liquidity and a lack of other investment opportunities.

IBM acts to boost sales

By Louise Kehoe

INTERNATIONAL Business Machines said it would make key mainframe computer models available several months ahead of its planned schedule in a move to boost sales.

The new mid and low-range models, which were announced last year, extend IBM's latest \$5,000 range of computers.

IBM executives said delivery dates had been advanced because improvements in manufacturing processes enabled the company to move more quickly.

Demand for IBM's most powerful mainframe computers has not declined, despite economic trends, company executives said.

Competitors say, however, that IBM has been offering steep discounts to customers in order to boost sales.

Four new mid-range models are available now, IBM said, and a fifth would be available at the end of June. Upgrades for older IBM models will also be available sooner than expected. IBM also announced two new low-end mainframes.

Go-ahead for Daewoo venture

DAEWOO, the South Korean conglomerate, has been given the go-ahead to set up joint ventures in North Korea, Reuters reports from Seoul. It is the first time the South Korean Ministry of Industry has approved a request from a conglomerate to do so.

The ministry said: "Daewoo has been given the approval to do joint ventures with the north. But they have yet to receive approval on what kind of joint ventures they will be doing with the north."

It said Daewoo would be required to submit details of its plans and of each proposed joint venture. "This is just permission for the company to go ahead with their plans for joint ventures," Daewoo would need approval again after plans for specific kind of joint projects are submitted.

Mr Kim Woo-chung, Daewoo chairman, discussed joint ventures in Pyongyang during his recent visit to North Korea.

Horsham earnings advance to \$61m

By Bernard Simon

HORSHAM Corp, the gold, petroleum and real estate holding company controlled by Canadian entrepreneur Mr Peter Monk, lifted net earnings to US\$61.4m, or 88 cents a share last year, from \$58.2m, or 86 cents a share, a year earlier.

The increase was due to a 53 per cent jump in the contribution of American Barrick, the gold producer in which Horsham has a 30 per cent stake. Barrick contributed \$15.4m in earnings as well as a fourth-quarter dividend of \$1.5m stemming from a public issue of shares at a price above Horsham's carrying value. A similar dividend gain of \$17.6m was posted during 1990.

Horsham also has a 60 per cent stake in Clark Oil & Refining, a St Louis-based petroleum refiner and distributor. Clark contributed \$23m to Horsham last year, down from \$27.7m in 1990.

The fall was due to a maintenance programme at one refinery as well as slimmer retail margins.

Horsham bought 195 hectares of undeveloped land on the outskirts of Berlin last September, which it plans to develop into a commercial and shopping centre.

A company official said yesterday that the project was still in the planning stage, but that the aim was to start construction by the end of the year.

The spokesman added that Horsham was also looking at other properties in the Berlin area.

● DONOHUE, the Quebec newspaper producer, had a final fourth-quarter loss of C\$38.5m, or C\$1.20 a share, including special charges, compared with a profit of C\$7.5m, or 24 cents a share, a year earlier, writes Robert Gibbons in Montreal.

Sales fell to C\$110m from C\$155m last time because of lower pulp and newspaper shipments and weak prices.

For all 1991, Donohue's loss was C\$58m, or C\$1.82 a share, against a profit of C\$29.1m, or 89 cents a share, a year earlier, on sales of C\$470m against C\$611m.

Increased liquidity helps Stanbic advance 23%

By Philip Gawth in Johannesburg

A WIDENING interest margin helped Standard Bank Investment Corp (Stanbic), South Africa's second largest banking group, increase attributable earnings by 23.5 per cent to R510.7m (\$183.7m) in the year to December.

The results were heavily influenced by difficult economic conditions and tight monetary policy maintained by the Reserve Bank.

To the bank's advantage, weak demand for credit increased liquidity, and hence lowered the bank's cost of funds and raised its interest margin. However, the bank

had to increase its specific provision for bad debts by 96 per cent to R239.4m.

Net interest income rose by 31 per cent to R2,038m, while other operating income was 21 per cent higher at R1,220m. Operating expenses were 26 per cent higher at R2,520m, and operating profit was up 29 per cent to R794.2m. Attributable earnings were up less because of lower income from associated companies.

Although total assets grew by only 10.7 per cent to R50.4bn, Mr Eddie Theron, managing director, said loans and advances had actually

increased by 16 per cent. He said this was a "very satisfactory" performance, given the weak corporate demand and lack of big projects.

Another notable figure was the increase in the return on assets, to 1.04 per cent from 0.93 per cent.

Mr Theron said the ratio of bad debts to advances, of 0.75 per cent, was similar to that of the difficult years of 1985 and 1986. He noted, however, that while then many large companies got into serious difficulties, this time around the bulk of bad debts was being incurred by personal custom-

ers, small businesses and farmers.

Earnings per share rose by 20.1 per cent to 597 cents, and the dividend was lifted by 20.3 per cent to 180 cents per share.

Domestically, Mr Theron said the bank had maintained market share in all its main divisions. Internationally, it had applied for a banking licence in the UK, and was expanding into Africa in a "measured" fashion.

Although the group had not seen any signs of a pick-up in business, it was still budgeting for improved earnings in the current year, he said.



Impala Platinum Holdings Limited

(Incorporated in the Republic of South Africa)
(Registration No. 570197906)

Interim profit statement and declaration of interim dividend

Consolidated Income Statement	6 months to 31 Dec 1991	6 months to 31 Dec 1990	Year to 30 June 1991
	(Unaudited)	(Unaudited)	(Audited)
Turnover	1,080.3	1,103.5	2,269.2
Cost of sales	884.1	897.0	1,411.9
On-net operations	645.8	576.0	1,181.8
Refining operations	118.3	85.2	200.6
Selling and other costs	47.9	42.9	70.3
Change in stock	13.8	(17.1)	(40.7)
Profit on metal sales	266.2	406.5	857.3
Capital expenditure on current capacity	38.1	49.7	95.2
Income from platinum mining activities	218.1	356.8	782.1
Income from other activities	4.8	7.9	13.6
Net interest received	28.6	23.5	67.6
Income before taxation	248.5	388.2	943.3
Lease, royalties and tax	45.5	21.2	367.5
Effect of expenditure on future capacity	108.0	51.1	189.1
Income after taxation	97.0	125.9	286.7
Share of net income from associates	29.8	26.4	30.0
Outside shareholders' interest	(2.1)	(4.3)	(4.9)
Attributable income	124.7	148.0	311.8
Extraordinary item	0.0	(0.7)	130.2
Appropriation for future capex	67.0	25.8	97.1
Transfer to non-distributable reserves	15.8	6.0	10.6
Distributable income	48.1	116.9	74.0
Dividends declared	34.2	48.9	188.2
Retained income	7.9	68.0	(94.2)
Shares in issue (millions)	68.2	61.2	61.3
Earnings per share (cents)	200	242	509
Dividend per share (cents)	55	80	275
Platinum production (000 ozs)	382	528	1,067
Cost per ounce platinum produced (R)	1,998	1,271	1,295
Capital expenditure by Impala (Rm)	211	127	381
Cash, net of all borrowings (Rm)	(80.6)	95.9	79.9

Declaration of interim dividend

An interim dividend of 55 cents per share in respect of the half-year ended 31 December 1991 has been declared payable to members registered in the books of the company on 28 February 1992. The register of members will be closed from 2 to 13 March 1992, inclusive. The dividend is declared in the currency of the Republic of South Africa. Payments from the London transfer office will be made net of Non-Resident Shareholders' Tax in United Kingdom currency at the rate of exchange ruling on 18 March 1992 or on the first day thereafter on which a rate of exchange is available.

Dividend warrants will be posted on 28 March 1992. The full conditions of payment may be inspected at the offices of the transfer secretaries of the company.

By order of the board
H.J. Gaylard, Group Secretary

Registered Office
3rd Floor Unicorn House
70 Marshall Street
Johannesburg 2001
(P.O. Box 6138)
Marshalltown 2001

Transfer Secretaries
South Africa:
Central Registrars Limited
154 Market Street
Johannesburg 2001
(P.O. Box 4844 (Johannesburg 2000))

United Kingdom:
Barclays Registrars
Bourne House, 3 Beconham Road
Beconham
Buckingham
RG2 3AT

Honeywell V. Minolta: Lessons To Be Learned

On February 7, a federal court in New Jersey found that Minolta Camera Co. infringed Honeywell patents. These patented Honeywell inventions were used since 1984 to create the heart of Minolta's autofocus and automatic lens shutter cameras. Through this technology, Minolta's camera sales grew to \$1 billion a year, with no thanks or royalties to Honeywell. The jury rectified that injustice, awarding Honeywell \$96 million for the technology Minolta misappropriated.

After six years of litigation, the win is satisfying, morally and financially. The jury verdict demonstrates American jurisprudence at its finest. But timely resolution of intellectual property cases must be addressed for this country to remain competitive.

According to International Trade Commission estimates, American companies lose \$40 billion to \$50 billion annually—or 30 percent to 50 percent of our trade deficit—because their technology is misappropriated by foreign manufacturers. Losses on a worldwide scale would be even more staggering.

This is not the problem of one company or one country. It is a global issue that affects any corporation whose lifeblood is intellectual property, or any country whose strength—and competitive advantage—is technology. A global marketplace requires strong multilateral rules that can be uniformly applied and enforced. These include:

- Common standards for protecting all types of intellectual property—patents, trademarks, copyrights and trade secrets
- A compatible international patent system
- Mechanisms for a timely resolution of disputes
- Rigorous enforcement rules—including border controls—against infringing goods

When intellectual property is not protected, free trade is hurt, future research and development is jeopardized, countries lose their competitive advantages, and people lose jobs.

That is why we at Honeywell believe there are lessons to be learned from our experience. We hope that world leaders will resolve to end this universal folly: countries and companies fighting trade battles on their own, without benefit of international law.

It is ironic that today, when political understanding among nations is greater than it has been for centuries, we have yet to formulate rules that protect companies from trade piracy. In a world in which the global marketplace is a reality for even the smallest firms, we still have no mechanism to ensure fair trade, such as a workable General Agreement on Trade and Tariffs (GATT) agreement on intellectual property.

We must do better than this. All nations must work together to protect intellectual property. Until we achieve this goal, we all will continue to pay an enormous price in time, money and brain power diverted to counter-productive trade battles. We must end this waste. Our ability to compete depends on it.

Honeywell

Helping You Control Your World

INTERNATIONAL CAPITAL MARKETS

Activity muted as market awaits Ecu sector deals

By Simon London

NEW issue activity continued at a slow pace in the international bond market yesterday, although some activity is expected to pick up in the Ecu sector later this week.

INTERNATIONAL BONDS

The European Community is expected to raise Ecu400m later this week or early next week to finance loans to eastern European countries. Many syndicate managers are expecting the EC to re-open its Ecu100m seven-year issue, launched by Warburg Securities last year.

In addition, Credit Foncier, the French public sector housing

finance agency, was thought to be considering a deal of up to Ecu500m at around the 10-year maturity.

Elsewhere, the launch of two high-yielding Australian dollar issues underlined the sharp correction in this sector of the market has seen this year.

The A\$100m 10-year issue by State Bank of South Australia and the Victorian Public Finance Agency, both carried an 11 per cent coupon. At the end of last year, bonds issued by borrowers of comparable credit quality carried coupons of little more than 9 per cent.

The higher yields are attracting some of the retail buyers who deserted the market last year when Australian interest rates and bond yields fell sharply. The lead managers of yesterday's deals, Hambros

and Merrill Lynch respectively, reported buying from continental European banks with retail clients and Far Eastern investors.

In addition to higher yields, many outstanding Australian dollar bonds are coming up for redemption and investors are re-investing some of the proceeds. Bonds worth around A\$2bn mature during this month and next.

However, the demand for Australian dollar debt securities remains much less than in the recent past. The two deals launched almost simultaneously yesterday proved too much for the market to digest at once.

Both deals traded down from issue price to stand at or around a discount equivalent to full fees by the close.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fee	Book runner
US DOLLARS						
Credit National (b)	60	zero	100	2000	1 1/2	Paribas Capital Mkt.
CANADIAN DOLLARS						
Banque Nationale d'Paris (c)	150	8	98.95	1997	1 1/2	Wood Gundy
AUSTRALIAN DOLLARS						
Vic. Public Fin. Auth. (a)	100	11	101.588	2002	2 1/2	Merrill Lynch
SLB of Sth. Australia (a)	100	11	101.45	2002	2 1/2	Hambros Bank
SWEDISH KRONOR						
Eurofima (a)	500	10 1/4	101 1/4	1997	1 1/2	Dresdner Bank
D-MARKS						
Dresdner Finance BV (a)	500	8	101.70	1998	2 1/2	Dresdner Bank
SWISS FRANCES						
Swedemortgage Bank (d)	150	7 1/4	101	2002	-	Credit Suisse

Private placement. (b) Convertible. (c) With equity warrants. (d) Floating rate note. (a) Non-callable. (b) Redemption value linked to the S & P 500 Index. Minimum redemption value of par. (c) Amount increased from C\$100m. Non-callable. (d) Subordinated issue. Amount increased from SFr100m. Non-callable.

Parliament approves Taurus changes

By Richard Waters

LEGAL changes needed to bring in the UK's planned paperless settlement system, Taurus, finally received parliamentary approval on Monday night, a year after they were originally due to be adopted.

The completion of the legal process opens the way for British companies to seek the support of their shareholders to "dematerialise" - that is, transfer their shares on to the new system. However, the timing of the regulations means that it is too late for many of the British companies that have annual meetings early

this spring to seek shareholder support this year.

The London Stock Exchange said it was talking to a number of companies which it hoped would be in the first wave to move on to Taurus at its planned launch in April 1993.

The law changes are necessary to reflect the way title to shares passes in a paperless stock market, rather than under the existing system.

Amending company law proved far more complex than had been expected, and led to substantial delays before draft regulations were able to be

published last summer. These met considerable opposition in the investment industry, and were subsequently simplified before being put to Parliament.

Much of the detail contained in the original draft regulations is due to be retained in a separate stock exchange rule book, expected to be published in draft form in May. Mr Andrew Hugh Smith, the exchange chairman, said this would "allow greater flexibility in the future than would have been possible if everything had been contained within the regulations".

Exchange stakes out fresh index territory

THE Chicago Mercantile Exchange, flush with success, is launching a new product this week aimed at institutional investors and has plans to offer a spectrum of index-related products.

The exchange, home to the Standard & Poor's 500 index future, the world's most widely traded stock index contract, last year traded a record 108m contracts, up 5 per cent over 1990, while trading volumes declined at other American futures and options exchanges.

The exchange will start trading tomorrow in the S&P Mid-Cap 400, the index composed of 400 middle-capitalisation growth companies. The Commodity Futures Trading Commission approved the contract yesterday.

The CME's launch will be co-ordinated with the American Stock Exchange, which will trade the cash index on the MidCap 400. This will expand its business in foreign stock indices, which began in 1990 with the Nikkei 225.

Another possible addition is a future on Germany's DAX index of 30 leading companies. A memorandum of understanding has yet to be agreed

between US and German regulatory authorities.

These new products are part of the fresh territory being staked out by the exchange. Mr William Brodsky, the CME president whose background is in the securities industry, said: "We hope to have a whole panoply of index products."

With the large and medium stock indices in hand, the CME's next goal is to capture the rights to futures on the Russell 2000 stock index, the most followed index for smaller companies.

The average market capitalisation of Russell 2000 companies is \$100m. Mr Brodsky and Mr John "Jack" Sandner, who has been re-elected CME chairman for the eighth time, believe that index trading is the direction of the market, particularly for institutional investors.

"People who three to five years ago wouldn't even consider using stock index futures are now using them," said Mr Brodsky.

Pension funds, university endowments and other institutional investors are increasingly matching their holdings to the indices. Since it was launched in mid-1991, the Mid-

Cap 400 has drawn \$3bn in indexed assets.

The recent performance of the smaller indices is a big incentive. The MidCap 400 index increased in 1991 by 46.59 per cent, the Russell index by 43.88 per cent.

These rates are far ahead of the S&P 500 index, composed of large industrial companies, which rose by 26.31 per cent last year.

Besides stock index futures, the CME is looking at the new Goldman Sachs commodity index, which began last year and includes oil, wheat, metals

and soft commodities such as coffee and sugar, as the basis for a possible new contract.

All this enforcement is a strategic point. The CME wants to position itself as the world's leading derivatives exchange.

To do so, it is doggedly courting the institutional segment of the investing community and it has taken aim in particular at managed futures funds, which Mr Sand-

ner estimates hold some \$30bn. Managed futures "will go the way of mutual funds," says Mr Sandner. "Current net assets of US mutual funds total \$1.350bn."

To accommodate institutional investors the CME has taken or proposed several new trading rules.

Last year, it put in place a large order execution rule, known as Lox, comparable to the block trade rules at leading US stock exchanges. Under this rule, a CME member wishing to buy or sell 300 or more S&P 500 futures can, in essence, pre-

arrange the trade off the trading floor.

Mr Sandner wants to expand the rule to the exchange's rapidly expanding currency futures business, where Euro-Yen and EuroMark contracts are under consideration.

To further facilitate large orders, the exchange recently won approval from the Commodity Futures Trading Commission, the futures industry regulator, to lift position limits on its Eurodollar and leading currency futures and futures options.

It has also proposed an average pricing system for large orders. Under such a system, CME members can provide such big investors an average price for a single order or series of orders executed at different prices. The proposal is awaiting CFTC approval.

The exchange plans to bring into use an extra trading floor to cope with the new business. The current floor has become so overcrowded that vertical boxes have been built so that brokers and traders can better see what's happening amid the mass of people in the pits.

The CME is expanding its list of index-related products in an effort to become the world's top derivatives market, reports Barbara Durr

International stock trading falls at LSE

By Richard Waters

THE trading of international stocks in London fell last year from its peak recorded in 1990, according to figures published yesterday by the London Stock Exchange.

The value of overseas share transactions reported to the exchange during the year was £27.5bn. This was down from the record £39.4bn of 1990.

Apart from foreign currency adjustments (all shares are traded in their local currency), the decline reflects the fact that London's share of international equity business may have peaked.

Greater competition from other financial centres, particularly in Europe, has begun to stem the flow of business to the City, according to the exchange's figures.

The UK domestic stock market, by contrast, had a better year in 1991. Customer turnover (not including trades between market makers) rose by 14 per cent to £23.4bn.

Brazilian companies hit by accounting rules

By Christina Lamb in Rio de Janeiro

THERE could be some unpleasant surprises in store for those foreign investors who have rushed to buy shares on the Brazilian stock market to take up more than \$2bn in funds raised by companies issued by Brazilian state companies over the past six months.

Over the next few weeks, many Brazilian companies will be posting appalling results as the surprise losses of 1991. This is partly a result of the country's harsh recession for a decade, provoked by the tight monetary policy the government is using to tackle inflation.

The main reason, however, is a new accounting regulation (Law 8200) requiring companies to revalue assets to reflect the fact that inflation has been running at a higher rate than previously recorded in official figures.

In effect, companies are having to compensate for the government's under-estimation of inflation in 1990.

The first victim was Petrobras, the giant state oil monopoly, which recently announced its first losses.

Mr Antonio Claudio Pereira da Silva, the superintendent of finance, said the company would have had a \$1.2bn profit rather than its posted losses of \$237m were it not for the change in accounting practices.

The new law is basically an admission that the government has been manipulating the (official inflation) figures, says one analyst.

For the past six years of high inflation, successive economic teams have been giving figures for monetary correction of assets below that of actual inflation, in an attempt to suppress inflationary pressures in the economy.

This has made corporate profits appear higher, and has enabled the government to collect more taxes.

The situation reached an extreme in 1990 when there was a 100 per cent fall in the figures used to adjust

reported asset values and actual inflation.

This caused many companies to show profits when, in fact, they had made losses in real terms. Many companies went to court refusing to pay tax on these so-called profits, thus forcing the government to correct the situation.

Under the new law, companies must now revise their figures for 1990. This is leading to a huge increase in depreciation costs by last year, fixed assets were shown on average at just one-third of their real value.

Companies can also revise their figures for previous years, although they are not required to and will not receive tax credits.

This option is already causing confusion over what 1991 results really mean. Petrobras, for example, revised its figures back to 1987 whereas Bradesco, the largest private sector bank, only went back to 1989.

The average effect has been

a 100 per cent jump in net asset values and a fall in profits to one-third of previous forecasts.

Particularly hit are those companies with large assets such as Petrobras, Telebras, the state telecommunications company and Eletrobras, a state electricity company, all of which have or are likely to report losses.

Finance directors argue that as this is an accounting change the figures may be worse on paper than in reality, but Ms Sonia Villalobos, a researcher at Banco Garantia, points out: "This law is just adjusting net assets to their real value - what was wrong was their previous results."

The changes do not affect cash-flow, so there should be no reduction in capacity to meet obligations.

However, Mr Roger Maudsley, an investment analyst at Banco Bozano Simonsen, says, "Brazilian companies are suddenly looking very uncompetitive when one considers net return on equity."

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES										
© The Financial Times Ltd 1992. Compiled by the Financial Times Ltd in conjunction with the Institute of Actuaries and the Faculty of Actuaries										
EQUITY GROUPS & SUB-SECTIONS										
Figures in parentheses show number of stocks per section	Index No.	Day's Change	Est. Earnings (pence)	Gross Yield (%)	Est. Div. Yield (%)	Est. Div. Yield (%)	Est. Div. Yield (%)	Est. Div. Yield (%)	Est. Div. Yield (%)	Est. Div. Yield (%)
1. BUILDING GOODS (178)	781.41	-0.2	8.57	6.34	14.74	0.61	782.77	776.92	780.92	780.13
2. CAPITAL MARKETS (23)	94.86	-0.5	9.01	8.40	16.01	0.07	97.82	97.82	98.14	117.82
3. CONSTRUCTION (220)	2454.89	+1.3	10.06	6.11	12.50	1.47	2424.17	2433.44	2438.61	2073.63
4. ELECTRICITY (7)	1781.99	-0.3	10.00	4.81	12.30	1.26	1787.71	1763.37	1765.31	1644.17
5. ENGINEERING (16)	321.17	-2.0	16.62	8.09	7.32	0.77	330.55	328.11	328.39	400.99
6. ENGINEERING-GENERAL (143)	284.46	-1.0	9.81	5.09	12.58	1.21	285.12	286.80	287.17	372.40
7. ENGINEERING-TECHNICAL (10)	328.12	-0.2	2.13	10.58	-	0.00	328.63	328.71	327.63	420.87
8. FOOD (14)	303.65	-	8.57	7.79	15.88	0.00	303.70	301.92	302.34	297.45
9. OTHER INDUSTRIAL MATERIALS (19)	1593.55	-	7.25	3.14	15.76	0.69	1594.42	1574.35	1577.60	1580.51
10. CONSUMER GROUP (188)	1625.11	+0.1	6.97	3.32	17.64	2.27	1635.78	1648.18	1652.66	1287.72
11. BREWERS AND DISTILLERS (23)	2062.45	+0.8	7.80	3.44	15.45	7.92	2065.79	2048.58	2055.93	1630.77
12. FOOD MANUFACTURING (18)	1258.24	-	8.57	4.04	14.42	2.11	1258.55	1251.34	1257.99	1089.51
13. FOOD RETAILING (17)	2541.50	-	8.69	3.26	14.95	0.39	2538.19	2500.24	2517.50	2463.50
14. HEALTH AND HOUSEHOLD (24)	1453.93	-0.8	5.10	2.19	22.49	1.08	1459.52	1453.78	1459.74	1277.36
15. HOTELS AND LEISURE (23)	1453.93	-0.8	5.10	2.19	22.49	1.08	1459.52	1453.78	1459.74	1277.36
16. MEDIA (24)	1453.93	-0.8	5.10	2.19	22.49	1.08	1459.52	1453.78	1459.74	1277.36
17. PACKAGING, PAPER & PRINTING (17)	734.66	-0.4	7.01	4.40	17.29	1.22	737.99	747.54	747.79	1252.56
18. STORES (12)	1038.19	-0.4	7.11	3.48	18.18	1.89	1035.61	1029.64	1030.24	826.45
19. OTHER GROUPS (11)	1213.61	-0.1	9.95	5.46	12.68	6.34	1215.24	1207.92	1212.13	1075.85
20. BUSINESS SERVICES (16)	1372.63	+0.5	7.31	4.78	17.40	0.07	1366.28	1357.12	1362.08	960.10
21. CHEMICALS (21)	1487.20	-0.6	7.18	4.92	18.21	0.44	1488.20	1474.98	1486.94	1156.61
22. CONSUMER SERVICES (11)	1145.88	-1.0	11.40	8.82	11.40	3.11	1178.88	1163.63	1165.12	1409.60
23. CONSUMER SERVICES (11)	1145.88	-1.0	11.40	8.82	11.40	3.11	1178.88	1163.63	1165.12	1409.60
24. TRANSPORT (16)	1205.44	+0.1	15.04	6.17	8.65	17.21	1204.90	1202.98	1199.76	1128.33
25. ELECTRICITY (16)	1205.44	+0.1	15.04	6.17	8.65	17.21	1204.90	1202.98	1199.76	1128.33
26. TELEPHONE NETWORKS (4)	1397.12	-0.5	11.23	4.49	11.63	15.96	1404.53	1399.14	1403.87	1265.58
27. WATER (10)	1634.92	-0.9	5.59	5.32	24.48	0.95	1630.76	1622.73	1626.49	1630.91
28. INDUSTRIAL GROUP (422)	1294.23	-	8.19	4.47	15.28	3.17	1294.62	1286.24	1292.61	1094.57
29. ALL-SHARE INDEX (654)	2137.19	+0.1	11.99	6.57	11.03	8.11	2130.07	2092.54	2108.27	2268.68
30. FT-SE 100 SHARE INDEX (100)	1370.68	-	8.60	4.70	14.66	3.56	1370.82	1360.29	1367.40	1192.42
31. FINANCIAL GROUP (187)	717.95	-0.1	-	6.47	-	0.71	718.50	717.14	722.51	762.26
32. BANKS (9)	877.90	-0.9	4.37	6.05	46.54	1.59	873.71	876.16	876.36	828.35
33. INSURANCE (LIFE) (6)	1398.85	-0.3	-	6.11	-	0.00	1402.53	1398.63	1404.34	1377.12
34. INSURANCE (GENERAL) (7)	971.09	-0.5	7.96	6.88	16.52	1.80	976.40	978.61	989.58	1031.54
35. INSURANCE (BROKERS) (1)	474.32	+0.6	-	4.52	-	0.00	471.37	472.23	479.23	990.75
36. MERCHANT BANKS (7)	776.67	+0.9	7.11	7.28	16.29	0.00	781.54	781.54	781.54	781.54
37. PROPERTY (33)	1185.80	-	-	-	-	-	1185.80	1185.80	1185.80	1185.80
38. OTHER FINANCIAL (14)	1185.80	-	-	-	-	-	1185.80	1185.80	1185.80	1185.80
39. INVESTMENT TRUSTS (62)	1215.47	-	-	-	-	-	1215.47	1215.47	1215.47	1215.47
40. ALL-SHARE INDEX (654)	2137.19	+0.1	11.99	6.57	11.03	8.11	2130.07	2092.54	2108.27	2268.68
41. FT-SE 100 SHARE INDEX (100)	1370.68	-	8.60	4.70	14.66	3.56	1370.82	1360.29	1367.40	1192.42

FIXED INTEREST							AVERAGE GROSS REDEMPTION YIELDS			Tue Feb 11	Mon Feb 10	Year ago (approx.)
PRICE INDICES	Tue Feb 11	Day's change %	Mon Feb 10	Accrued Interest	est. div. 1992 to date	British Government						
						1 Low	5 years	8.60	8.65	9.46		
						2 Coupons	15 years	9.14	9.14	9.61		
						3 (9% - 7.5 %)	20 years	9.14	9.14	9.61		
						4 Medium	5 years	9.38	9.41	10.28		
						5 Coupons	15 years	9.22	9.23	9.97		
						6 (8% - 10.4 %)	20 years	9.19	9.19	9.61		
						7 High	5 years	9.65	9.65	10.43		
						8 Coupons	15 years	9.31	9.32	10.12		
						9 (11% -)	20 years	9.25	9.25	10.03		
						10 Irredeemables		9.34	9.34	9.94		
						Dales-Lindes						
						11 Inflation rate 5%	Up to 5 yrs.	3.82	3.84	3.84		
						12 Inflation rate 5%	Over 5 yrs.	4.27	4.27	4.18		
						13 Inflation rate 10%	Up to 5 yrs.	3.90	3.92	2.93		
						14 Inflation rate 10%	Over 5 yrs.	4.10	4.10	3.01		
						Dales & Lewis						
						15 Bonds	5 years	10.82	10.86	12.41		
						16 Loans	15 years	10.61	10.62	12.12		
							20 years	10.45	10.46	11.84		

UK COMPANY NEWS

Payment sparks new row in dispute over ill-starred joint venture

British Aerospace pays Asda £79m

BRITISH AEROSPACE yesterday announced that it had paid £79m to resolve a dispute with Asda, the supermarket group, over an ill-starred joint venture.

However, a new row broke out over an option which could force BAE to buy out its partner, potentially for some £75m.

Arlington, BAE's property subsidiary, said the option was irrelevant. It only applied in the event of a default and so it was invalidated by the payment of the £79m, it said.

"Any action against Arlington will be vigorously contested," the company added.

Mr Paul Dowling, corporate affairs director for Asda Group, said that Asda's

lawyers took a different view. "Our legal advice is that we have a put option. It is clear."

Mr Dowling said that Asda had not decided whether it would exercise its option. "We are reviewing the situation," he said.

It is unclear what value would be placed on a half share of the Burwood House Group, the joint venture.

However, it would probably be less than £75m, the equity injected by both partners when it was set up.

The joint venture was set up two years ago, just before BAE took over Arlington, partly to help Asda raise cash to finance its acquisition of Gateway.

Gazelle Holdings, part of Asda, put 34 of its stores, then

valued at £350m, into the group and extracted £275m of cash. Arlington injected a number of shopping schemes, then valued at £75m.

Arlington guaranteed the value of these development sites when it set up the joint venture. Its payment of £79m into Burwood House arose from its obligation to make good a shortfall in value of the development properties.

"The decision was the most beneficial to British Aerospace after considering various proposals designed to protect the position of the joint venture company and the interest of both its shareholders," it said in a statement to the Stock Exchange.

It added that the payment avoided "any question" arising

from an option that would require Arlington to sell its interest in the Burwood House Group to Gazelle or to buy Gazelle's interest in the Burwood House Group, at open market value. BAE had already made provision for the payment in its 1991 accounts.

Both companies have been under severe pressure recently. A month ago, Asda reported a pre-tax loss of £68.8m for the half year to November 9. In recent months British Aerospace has seen the failure of a £432m right issues, a heavy fall in profits and the departure of senior managers.

BAE's share price fell from 285p to 262p. Asda's share price was unchanged at 38½p.

GPA may delay flotation until after June

By Roland Rudd

GUINNESS PRAT Aviation, which yesterday reported a 32 per cent increase in after-tax profits for its third quarter, is considering putting off its international flotation until after it publishes its year-end results in June.

The Irish Republic-based aircraft leasing group made after-tax profits of £73m (£40.1m) for the three months to December 31, compared with \$55.5m in the comparable period of 1990.

Net profits for the nine months were \$196.5m, just ahead of the corresponding 1990 figure of \$195.5m, but the group is confident of record earnings in excess of \$251m for the full year. Earnings per share were \$1.99 (\$1.65).

GPA had hoped to bring forward its international share offering - worth between \$1bn and \$1.5bn - to early April, to take advantage of the buoyant US stock market.

However, the group now believes it may be prudent to wait until after June when it

publishes its year-end results. This would strengthen its argument in favour of pricing the new shares closer to \$30.

Some of its advisers still believe GPA should press ahead with its share offering in April, but only if the GPA board accepts its recommendation to price the new ordinary shares at between \$20 to \$25, with the emphasis on the lower price.

At a meeting last Friday at Shannon, GPA's advisers, which include Nomura, Schroders and Goldman Sachs, narrowed their recommended price range for the new shares to between \$20 and \$22.

Mr Tony Ryan, chairman, yesterday said: "We have now recaptured the net profit decline of the first half of the year and the increase of both operating and net profit over the third quarter of 1990 show we are recovering from the impact on air travel of the Gulf conflict."

Two thirds of the third quarter profits were generated from the sale of aircraft to investors. For the three months to Decem-

ber, aircraft sales accounted for 73 per cent of net profits compared with 63 per cent last year. Leasing accounted for 32 per cent (25 per cent) of earnings.

The US has now replaced Japan as GPA's most important market in aircraft sales. Mr Maurice Foley, chief executive, said it would be "unfair" to question the quality of net profits because of the growth of the sale of aircraft to investors.

He added that in the aftermath of the withdrawal of the Japanese investors in the recession, the business of selling aircraft to investors had recovered faster than GPA's leasing division.

In a final word of warning, Mr Foley said it would be wrong to assume that GPA was about to report quarterly net profit increases of about 30 percentage points. "The worst of the recession is over," he said. "But we do not want to hype it up too much."

See Lex

Nadir committed for trial on £100m fraud charges

By David Barchard

MR ASIL NADIR, the former chairman and chief executive of Polly Peck International, the fruit and electronics group, was yesterday committed for trial at the Old Bailey, some 14 months after his arrest at Heathrow Airport in December 1990.

Mr Nadir faces 66 charges of theft and three of false accounting brought by the

Serious Fraud Office for amounts totalling £100m.

A second defendant, Mr John Turner, the former Polly Peck group chief accountant, is charged on 10 counts of false accounting, totalling £74m.

The case now goes to the Old Bailey, but it is not expected to open before the start of 1993.

Mr Nadir's bail conditions were slightly eased yesterday. Sir David Hopkin, the chief metropolitan magistrate, maintained a requirement for Mr Nadir to report to Seville Row police station each week, but lifted a year-old ban on Mr Nadir contacting a list of persons from whom statements have been taken but who are not now expected to be prosecution witnesses.

Pamona March Pearson, Mr Nadir's solicitor, said there was still no evidence to refute the findings of defence accountants supplied to the SFO many months ago.

"The Polly Peck companies continue to trade successfully and we shall press for the earliest possible hearing date," the statement said.

Mr Michel Marchais, founder and main shareholder of TAT, indicated last week he would be prepared to sell 20 per cent of his family's 72 per cent controlling interest in the airline to a new industrial partner.

The other big shareholder is Credit National, the French state credit institution, which acquired its 25 per cent stake from Air France.

TAT was founded 20 years ago but because of its association with Air France was until now largely considered as a subsidiary of the national flag carrier. In spite of last year's airline industry slump, the regional carrier has continued to operate profitably.

It employs about 3,100 people, has annual sales of about FF2.4bn (£340m), and is involved in the freight, airline maintenance and pilot training businesses as well as operating regional airline services on 30 routes.

But it is now poised to launch a big expansion of European services as a result of the French government's redistribution of airline routes. It plans to start 15 new services during the next 12 months, including services from Paris and Lyon to London Gatwick next month.

Other new European services include flights from Paris to Copenhagen, Munich, Geneva, Milan and a summer schedule of flights from French regional cities to London's Stansted airport.

However, the airline clearly feels it will be in a stronger position to compete head-on against Air France if it can forge a partnership with a big European carrier like BA.

Possible French connection for BA

By Paul Betts, Aerospace Correspondent

BRITISH AIRWAYS is understood to be considering investing in a minority stake in Transport Aérien Transrégional (TAT), the French regional airline which is this year planning to launch a big expansion in European services.

TAT, which operates a fleet of 50 aircraft and is one of the main beneficiaries of French airline deregulation, yesterday said it was talking to several potential airline partners.

Although it declined to confirm specific talks with BA, the UK airline is believed to have been approached by TAT to invest in the French independent carrier.

BA, which yesterday reported a substantial increase to £100m in third quarter pre-tax profits, and is currently involved in negotiations to link-up with KLM Royal Dutch Airlines, said it never commented on speculation about mergers or acquisitions.

TAT's search for a strong international partner follows the disposal last year by Air France, the French national airline, of its 35 per cent stake in the regional carrier.

Air France sold its TAT stake as part of its agreement with the European Commission to enable it to take control of its Inter, the French domestic carrier, and UTA, the independent French long-distance airline.

The French national carrier also agreed to give up several routes to independent airlines in return for EC approval to take over in 1990 its two main domestic competitors, Air Inter and UTA, giving it a 97 per cent share of the French market.

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GPG escapes a second share suspension

By Terry Hall in Wellington

GPG, the London-registered investment vehicle of Sir Ron Brerley, narrowly escaped having its shares suspended on the New Zealand Stock Exchange when it met a second deadline to file an annual report.

The company, whose shares remain suspended in London, was given a warning on January 31 for failing to supply accounts and set the new deadline. Sir Ron Brerley, chairman, blamed the delay on the company's adoption of new British accounting standards.

In December, GPG reported pre-tax profits more than doubled to £10.6m (£4.7m) for the year to September 30.

Earnings per share rose from 1.48p to 3.38p. No dividend is declared.

This is the first set of annual results after the formation of the company from a rump of the Guinness Peat Group services group, GPG, which started as a shell company with £115m in cash a year ago, now holds 25 stocks.

GPG lifted its investment in listed companies to £25.6m (£23m). Its Australian listed holdings had a market value of £19.6m (£9.7m) invested in the rest of the world. The market valuations compared with a purchase price of £14.5m (£7.63m).

Tarmac chairman gives up day-to-day control

By Andrew Taylor, Construction Correspondent

SIR ERIC Pountney, for more than a decade chairman and chief executive of Tarmac, is to give up the day-to-day running of Britain's biggest construction and building materials group.

He is to remain as chairman but will be replaced as chief executive by Mr Neville Simms, chief executive of Tarmac's construction division.

Mr Bryan Baker, group managing director, will become deputy chairman.

Tarmac, which grew dramatically during the 1980s, has seen its profits fall sharply during the past two years as a result of recession in the UK housing market and a downturn in US construction market.

The share price, which has fallen by almost 60 per cent during the past 12 months, last night closed 119p at 119p compared with a peak of 282p last March.

Sir Eric, who will be 60 next year, denied that management changes had been prompted by dissatisfaction with the company's recent performance.

He said: "Both Bryan Baker and myself reach the company's official age for retirement next year. It was important that management succession was assured. We would have taken this decision irrespective of the position of the company."

Mr Simms is 47 and is extremely able, having run a highly successful construction management system which gave Tarmac's pre-tax profits



Neville Simms: will continue centralisation policy

between 1978. Sir Eric's first year as chief executive, and 1988 rose from £26.5m to £393.1m.

During that period the group became Britain's biggest housebuilder, constructing more than 11,000 homes a year. In 1990, pre-tax profits fell to £190.7m. Stockbrokers' recent forecasts suggest that pre-tax profits could have fallen to between £40m and £60m last year which could put the final dividend under threat.

During the 1980s Tarmac developed a decentralised management system which gave divisional chief executives the

freedom to develop their businesses during a period of high growth in construction demand.

Mr Simms said that during the past 12 months Tarmac had been taking a greater degree of central control over divisional strategy, investment and performance. That had been in response to the harsh trading conditions in the 1990s.

He said: "I expect to continue this policy which is in line with the approach I have taken in the management of Tarmac's construction division."

See Observer

Conrad Black interested in Maxwell newspapers

By Raymond Snoddy

MR CONRAD BLACK, chairman of the Daily Telegraph, fresh from his acquisition of the Fairfax group in Australia, is interested in looking at any significant newspaper property that comes on the market.

Apart from Ma'ariv, the Israeli daily, Mr Black has registered a general interest in Mirror Group Newspapers. As the owner of a Conservative broadsheet newspaper, he does not regard himself as a likely or even particularly credible proprietor for a Labour-supporting tabloid.

The Telegraph chairman's main interest lies in the Scottish titles of MGN, which include the Scottish Daily Record, the Sunday Mail and a series of weeklies. A serious Black interest in the former Maxwell Scottish titles would also cause less monopoly problems.

At the moment, however, Arthur Andersen, the administrators of the private Maxwell interests including a 51 per cent stake in MGN, are insisting that the shares are not for sale and that when they are sold, it will be a single group.

The paper had been on strike for four months before Mr Maxwell was given \$60m by its previous owners, the Tribune Group, to take it over. During

the strike a non-union paper was produced, but circulation fell from 1m to about 300,000.

Following the Fairfax deal, Mr Black is interested in looking at any significant newspaper property that comes on the market.

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The company was established by Mr Maxwell to provide in-house fleet management and parcel distribution. It later expanded to service companies from outside the group, and handled more than 3,000 vehicles.

MCC vehicle fleet offshoot in administration

By Angus Foster

A vehicle fleet subsidiary of Maxwell Communication Corporation has been placed in administration after more than £1m was removed from a bank account in early December, following the death of the publisher Mr Robert Maxwell.

Mr Peter Dunn, of Latham Crossley & Davis, appointed joint administrator on Monday, said Maxwell Fleet & Facilities Management's failure stemmed from cashflow difficulties. MCC removed more than £1m, in several transactions, from an account designated MCC re Maxwell Fleet & Facilities Management for the purposes of group financial support, he said.

The withdrawals were authorised by individuals other than the company's two working directors, who they were unaware of the transactions at the time.

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Bryant advances 5% to £9.8m despite fall in house prices

By Richard Gourlay

BRYANT, the housebuilder, yesterday reported a 5 per cent increase in profits in a market dogged by the sluggish economy and a lack of consumer confidence ahead of the election.

The West Midlands-based company is expected to remain depressed until after the election.

"The cost of buying is not a problem at the moment," said Mr Andrew Mackenzie, managing director. "There is a concern in the market about the possibility of increased taxation."

Pre-tax profits in the six months to November 30 rose from £9.3m to £9.8m on sales up 14 per cent at £163.5m. Earnings per share were 0.3p lower at 2.5p; the interim dividend is maintained at 1.4p.

Michael Chapman, finance director, said operating margins had only fallen from 9 per cent to 7 per cent despite the worst recession for years.

Gearing fell from 5 per cent to 2 per cent on debt of £4m at the period-end. The group said it would continue to acquire land at the right price but would not raise gearing beyond 25 per cent by the year-end.

Mr Chris Bryant, chairman, said that despite a further downward drift in selling prices, the group managed a 20 per cent increase in the number of completions during the period to 1,140 units.

Bryant was placing greater emphasis on the three to four-bedroom house market which would raise the sale price per unit.

COMMENT

Bryant has successfully maintained sales volumes through aggressive pricing and with low gearing it is also well placed to be rebuilt its landbank at favourable prices. But with the property and construction divisions unlikely to provide any excitement, strong recovery depends on the unpredictable housing market. It does not take a wildly unlikely scenario - lower than expected economic recovery and/or the return of a Labour government - before the dividend begins to look vulnerable. This year the dividend, if maintained at 4.5p, is barely covered by earnings of 5.3p on anticipated profits of £20m. At a multiple of about 19, Bryant is looking fully priced although it will be supported by its above average yield for the sector.

AES announces rescue plan

ASSOCIATED Energy Services, the construction, household goods and industrial equipment group, shares of which have been suspended on the USM since November, yesterday unveiled a rescue plan together with an interim loss of £287,000.

Turnover for the half year to May 31 was slightly ahead at £1.15m against £1.29m, but operating losses increased to £280,000 (£83,000).

Losses per share were 1.04p (0.25p).

The rescue plan involves a combination of capital restructuring and expansion via the acquisition of Guardian Fundations (Southern), a specialist underpinning company, and Cellular Communications Network, which distributes mobile cellular equipment.

The purchase of Guardian (Southern) will be satisfied by

the issue of 66.2m new shares, representing approximately 69.5 per cent of AES' enlarged share capital.

The acquisition of Cellular is for an initial nominal £1 and a deferred profit related payment not exceeding £499,000.

A reconstruction and reduction

tion of the share capital is also planned.

The reconstructed capital will consist of 94.9m shares of 1p each.

The proposals require shareholders' approval. An extraordinary meeting is scheduled for March 5.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding dividend	Total for year	Total last year
Amstrad	0.4	Apr 22	0.4	-	1.4
Bryant	1.4	May 25	1.4	-	4.8
Dodley Jenkins	1.35	Apr 3	1.30	-	4
Eblief	nil	-	0.101	-	0.5
Fleming O'Shea	1.5	Mar 30	1.5	-	4.5
Manchester Ship	4.5	Mar 27	0.25	-	0.25
West Trust	nil	-	1.55	-	5
YRM	1.85	Mar 27	1.55	-	-

Dividends shown pence per share net except where otherwise stated. On capital increased by rights and/or acquisition issues. SUSM stock. *Carries scrip option.

This announcement appears as a matter of record only.



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Barclays de Zoete Wedd Limited

Cazenove & Co.

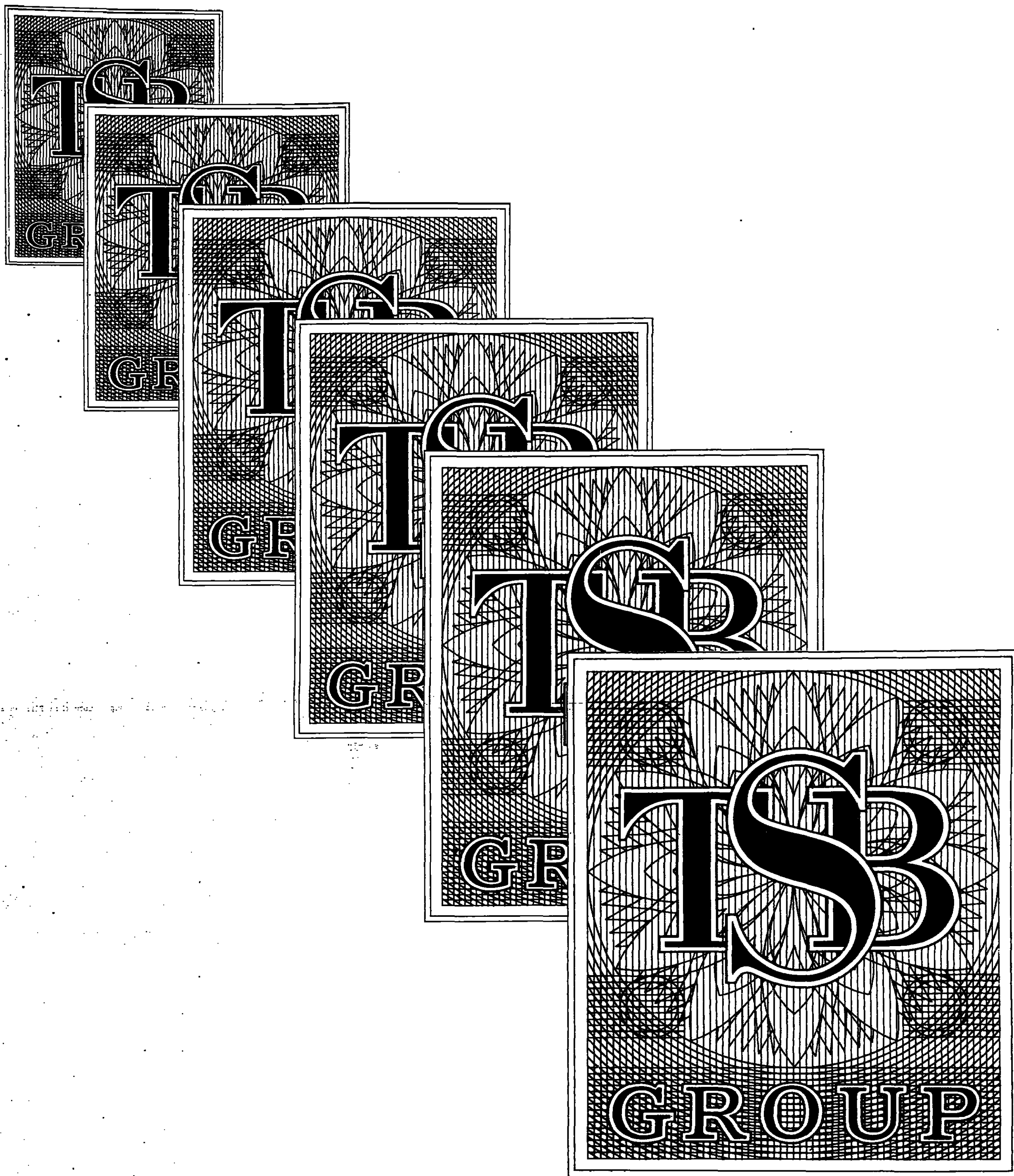
Deutsche Bank Capital Markets Limited ♦ Samuel Montagu & Co. Limited

UBS Phillips & Drew Securities Limited ♦ Westdeutsche Landesbank Girozentrale

Pearson was advised by Lazard Brothers & Co., Limited



February 1992



FINANCIAL DEPTH.

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We shall use our financial strength to invest in their

development: in training, technology, branch refurbishment and people.

And we won't cut back on investment in their future, because we have one long-term strategy in mind: to build long-term value for our shareholders by providing customer services of the highest quality. In depth.

Banking and beyond.

ASSETS: £26 billion. SHARE CAPITAL AND RESERVES: £17 billion. CURRENT AND DEPOSIT ACCOUNTS: £22 billion. ADVANCES: £17 billion. FUNDS UNDER MANAGEMENT AND ADVICE: £28 billion.

UK COMPANY NEWS

Pathfinders in reverse takeover

By Jane Fuller

AN ELECTRICAL wiring business built up by the former joint head of Thomson TVLine is coming to the main market via a £15.2m deal with Pathfinders Group, a small media recruitment company.

Mr Hugo Biermann, who will become chairman of the new group, and his partner Mr Nicholas Tuma, are bringing in their two companies, Cables & Flexibles in the UK, and Seascope in the US. They and another director will end up with 26 per cent of the enlarged group by taking the payment in shares.

Considerations total \$2m and another \$2m-plus is being raised to repay debts. The transactions include a share placing and 1-for-1 rights issue, both at 8p, to raise £7.42m. Pathfinders' shares were suspended on the USM two months ago at 10p.

Cables & Flexibles, a distributor, was acquired in 1987 by Thomson T-Line. Mr Biermann's aim was to build up an industrial distribution group. Along the way, the football pools business, was bought as a cash generator. This brought Thomson to the notice of Ladbroke Group, which acquired it for £18m in February 1988.

Mr Biermann carried on

with a previous Thomson plan to acquire Seascope, and then in March last year bought back Cables & Flexibles from Ladbroke.

He said the new group, which will be called Maddox Group, aimed to distribute, install and service wiring systems. This would initially involve small bolt-on acquisitions, with a larger one planned later this year.

Pathfinders is being used as a shell. Its biggest shareholder, Mr Stephen Hargrave, bought nearly 24 per cent of the equity 18 months ago, at 3/4p per share, from Mr Stephen Worth and his wife Ms Andrea Rose.

For the six months to September 30 it incurred a pre-tax loss of £28,000 on turnover of £183,000. In the five months to that date Cables & Flexibles made a pre-tax loss of £277,000. Seascope made £2.2m (£1.1m) trading profit and £88,000 pre-tax in nine months.

For 1992, Williams de Bro, the company broker which is underwriting the rights issue, is forecasting that the group will make £2.6m pre-tax on turnover of about £40m, with earnings per share of nearly 8p. On net assets of £5.5m, initial group gearing is expected to be 25 per cent. At 8p, the market value will be £18m.

YRM falls 40% and sees no sign of improvement

By Angus Foster

YRM, the architecture and building design company, announced a 40 per cent contraction in interim profits as the recession in the construction industry continued to bite.

The pre-tax outcome for the six months to October 31 amounted to £28,000, against £288,000 last time, on turnover down to £10.2m (£12.8m).

Mr Tim Poulson, chief executive, said: "The year ahead will be as difficult as any we have faced so far, but we are in good shape to face it."

The group has fared better than some of its competitors, partly because it is broader based and partly because it has cut costs aggressively. Staff numbers have been reduced by

about 30 per cent since 1990. It has been appointed consultant for the European Bank for Reconstruction and Development in London, and has also won the commission for the New Museum of Scotland.

Directors hope that overseas business, which accounted for 3 per cent of turnover, could be lifted following the opening of an office in Berlin and a joint venture in the Middle East.

Mr Poulson said overseas earnings would increase to 5.10 per cent of total turnover this year. The company has a longer term target to lift that figure to 25 per cent, he added.

Earnings dropped to 2.54p (41p) but the interim dividend is maintained at 1.65p.

Manchester Ship lifts operating profit 23%

By Ian Hamilton Fazey, Northern Correspondent

MANCHESTER Ship Canal reported a 46 per cent fall in annual profits as an improvement in port operations along the 36-mile canal failed to offset an 85 per cent drop in income from exceptional property dealings.

Pre-tax profits for 1991 amounted to £10.8m (£30.7m), but the previous year's results included nearly £12m of exceptional net income from the sale of canal-side land near Warrington for waste disposal.

Port operating profit expanded 23 per cent to £5.5m (£4.27m) on turnover almost unchanged at £20.2m (£19.8m) and less tonnage handled.

Mr Robert Hough, chairman, described the results as "very satisfactory" because profits before exceptional income and expenditure were a record £9.62m (£9.55m). With property income only marginally up at £4.65m, investment income 38 per cent down at £1.43m and interest charges higher, the improvement came from better port operations, where staffing costs and operating charges have been reduced by 27 per cent in four years.

About two thirds of the company's shares are now owned by Peel Holdings, whose chairman, Mr John Whitaker, took control of the canal through a private company after a bitter takeover battle in 1987.

Mr Whitaker's original policy was to plough back all profits, but Manchester Ship eventually returned to the dividend list last year. The dividend is unchanged at 4.5p.

ICI streamlines legal department

Imperial Chemical Industries

Imperial Chemical Industries is again streamlining its legal department by devolving all UK litigation to Hammond Suddards, the Yorkshire-based solicitors.

Mr Victor White, group solicitor and secretary of ICI, said the change would allow group headquarters to focus on supporting the company's executive.

A desperate need for hits in an intensive price war

Michio Nakamoto looks at Amstrad, a 1980's success story, as it reports a first-time loss

IN EARLY 1990, after Amstrad had suffered a sharp deterioration in profits, Mr Alan Sugar emerged from one of the rockiest periods in his company's history and declared that he had put the bad times behind him.

The next financial year, he stated confidently, will be the year to make money.

Two years later, in the face of the first loss his company has ever reported, Mr Sugar is making no such predictions yet.

The group which he built up from scratch into a major success story of the 1980s is facing what could be its most difficult test to date.

Amstrad is having to retreat in major product areas at a time when it has not yet found a way to recoup its losses. The group's revenue has been hit by the slowdown in the PC market, which it depends on for over 40 per cent of turnover, in its turmoil.

Production of PCs has been halted since last summer in an effort to reduce stock levels and speculation that Amstrad will pull out of the PC market altogether prompted a statement by Mr Sugar of his commitment to the computer market.

Recession in major economies throughout the world and the changing market environment for PCs has forced manufacturers at the higher end of the market, such as IBM and Compaq, to slash their prices.

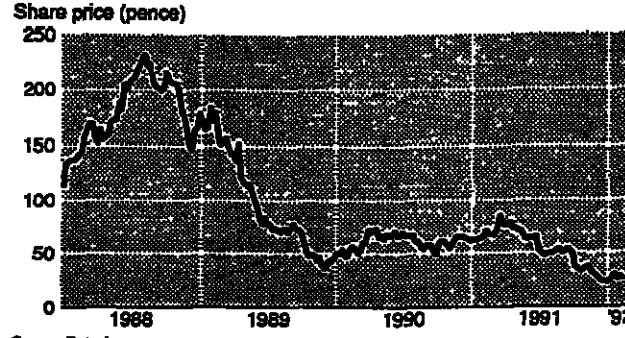
Amstrad, which built up a significant market share largely on the strength of competitive pricing, has been a major loser in the price wars which have robbed it of its main advantage over the larger industry leaders with their premium brands.

Conditions in its other product markets have been just as dismal in the prolonged recession. The market for VCRs and home computers has been a battleground for intense price competition.

In the case of home computers the competition has been such that Amstrad has had to pull out of the market for games and entertainment computers where it was faced by the formidable popularity of Nintendo games.

Amstrad

Share price (pence)



Source: Datastream

The only areas where Amstrad has maintained resilience are in satellite receivers and dishes, its second largest consumer product category, fax machines and word processors.

However, even in the satellite division where sales have been buoyant, profits have been affected by the slowdown on the continent, particularly in Germany where Amstrad has been building up satellite market share.

Amstrad's current plight raises the question of whether the group's strategy of providing consumer electronics and computer products at competitive prices, is appropriate in the more sober and more competitive trading environment of the early 1990s.

Its response to the situation so far has been to make sure its house is in order to weather the tide.

It has introduced management and financial controls, kept inventory control a priority and strengthened its balance sheet.

If Amstrad can see through the current storm, with the help of its restructuring plan and healthy balance sheet, it is bound to come out of the recession leaner and stronger than it was when it went into it.

With an optimism only slightly more measured than two years ago, Mr Sugar points out that the large PC manufacturers have suffered just as heavily from the price competition and "once their inventories have been depleted the

market will come back profitably for Amstrad."

As soon as the recovery comes, Amstrad will be able to ride ahead again on the strength of its competitive prices and new products.

The group has already proved with its double deck VCRs that it can still deliver a market hit in the middle of a recession.

Mr Sugar has shown himself to be a tireless source of inspiration for new ideas for the consumer market and Amstrad is still a flexible enough organisation to move in quickly to take advantage of gaps in new product areas and out again when the going gets rough.

The recently announced decision to return to its audio roots and move out of the computer games business at least for a while, suggest that it can still play that game well.

The question in the short term is, if Amstrad intends to stick to its strategy of bringing competitively priced products to the market to stimulate sales, where are those profits likely to come from?

Last autumn it announced a colour laptop computer and notebook PC which it has been putting considerable effort into developing.

These are likely to be the more popular products this year, but whether or not they will measure up to the earlier success of Amstrad's PCs is still open to debate.

The videophone, another product which Amstrad expects to be a major hit, is



Alan Sugar: vocation at the lower end of the market

still very much in the engineering stage and unlikely to be a mass market item until at least 1993. Even then, unlike Amstrad's previous hit products, the videophone is a relatively new concept that is going to need to build up consumer acceptance.

Without the blockbuster hit, a return to the peak turnover level of over £500m it achieved three years ago is "a very distant target," says Mr Mark Loveland at Warburton.

In the long run, Amstrad will need to address the question, of whether its strategy of providing basic technology to the mass market at the lowest possible prices is still relevant in a changed environment for many of its markets.

The philosophy that supported Amstrad's growth from a small one-man operation to a company with a turnover exceeding £500m, was to provide standard products in consumer electronics that were stripped of unnecessarily complicated gadgets but did the job well enough for the average consumer.

Its strength was based on its ability to deliver these goods, many of which were also hit products based on simple but inspired product improvements, at extremely low prices.

The strategy clearly works when the products that are targeted are based on relatively new or complicated technology that commands premium

prices. In its high growth period, Amstrad was able to take advantage of demand among consumers who were willing to forego brand premium for simple and competitively priced electronics products and more recently, computers.

But once those products become commodity products, subject to price cutting by manufacturers at the top end of the market, the strategy leaves Amstrad with little to compete on.

That strategy crumbled under fierce competition that has driven it out of the home computer sector and raised considerable doubt about its commitment to the PC sector.

Mr Sugar says that the group has no intention of moving into technology led businesses or the high end of the market. "Our vocation is always in the lower end of the market, especially in recessionary times," he emphasises.

In order to be profitable with that vocation Amstrad needs to ensure it has the lower end of the market to itself, or that at least it has a dominant share of it.

Given the intense pressures facing consumer electronics and computer manufacturers, it is unlikely that that is a luxury that can be counted on. But Amstrad can no longer say that it does not know what it is like not to be alone in its sector of the market.

NEWS DIGEST

West Trust moves to diversify

WEST TRUST is taking the first step of its planned diversification into the food industry and is at the same time reducing its exposure to textiles.

It is buying Bart Spices, a high added-value herb and spice packing business which supplies most of the leading UK supermarket chains, for £2.5m, and selling Indo African Exports, an importer and merchant of grey cotton and polyester cloth, to its management for £2.5m cash.

The group also announced interim figures, showing a reduction in profits from £191,000 to £36,000 for the six months to September 30. There is no interim dividend but the board intends to pay a final dividend of 0.25p last year the interim was 0.25p but there was no final dividend.

Earnings per share were 0.06p (0.55p). Margins were eroded because of the economic climate and Indo African had to provide a dividend of £158,000, of which £54,000 is included in the half year, for a doubtful debt. Indo African requires a high level of working capital and its borrowings represent about 80 per cent of total group liabilities.

The consideration for Bart will be satisfied as £250,000 cash and the issue of 54.4m shares. The vendors will retain 16.5m shares and the balance, plus a further 34.4m shares, will be offered to shareholders on a 13-for-10 rights basis at 4p each. The total of up to 87.8m shares being issued represents 61.9 per cent of the enlarged capital.

Vendors have guaranteed Bart's pre-tax profit at not less than £213,000 for the nine months to September 30, 1991. All proposals are subject to shareholders' approval at an extraordinary meeting on February 27.

Fleming Overseas net assets at 222.5p

The net asset value of The Fleming Overseas Investment Trust stood at 222.5p per share as at December 31 1991.

The figure represented a gain of 16 per cent on the same date of 1990, but a decline of some 7 per cent on the trust's year-end figure of 238.6p. Distributable revenue for the six months to end-December amounted to £3.7m (£2.48m) for earnings of 1.78p (1.66p) per share. The interim dividend is maintained at 1.5p.

Redland gets just 1.7% of Steeley

The hostile £580m offer by Redland for Steeley, its rival building materials group, had,

by 3pm on Monday, been accepted in respect of 2.65m ordinary shares, representing about 1.7 per cent of Steeley's equity.

In addition, valid acceptances had been received in respect of 18,677 Steeley 3.15 per cent cumulative preference shares - about 4.8 per cent of the issued preference capital.

The offers and partial cash alternative have been extended until 3pm on February 24.

Cost cutting helps Dudley Jenkins

Cost cutting measures and "sensible adjustments" to activities helped Dudley Jenkins Group return to profit in the half year ended October 31, 1991, and is passing the interim dividend.

Sales of the elite range of clocks, mirrors and photoframes had varying fortunes; the US was badly hit by recession but Europe and other export markets increased. Sales of handbag frames continued to decrease.

Overall, turnover dropped 8 per cent to £27.7m after being 27 per cent down in the opening three months. Despite cutting overheads and other cost savings, the group was unable to avoid the loss, which compared with a profit of £55,000 previously.

Losses per share worked through at 0.04p. Last year there were earnings of 0.049p from which an interim dividend of 0.181p was paid.

BOARD MEETINGS

TODAY	Feb. 19
Alfred Leasing, New Corporation	
Planning Publishing Inc. Trust, General	
Consolidated Inv. Trust, Moorfield Estates	
Reid, St. Andrew Properties, Thornton	
USM Trust, Williams Hodge	

FUTURE DATES	Mar. 3	Mar. 27
Alfred Leasing, New Corporation		
Planning Publishing Inc. Trust, General		
Consolidated Inv. Trust, Moorfield Estates		
Reid, St. Andrew Properties, Thornton		
USM Trust, Williams Hodge		

HYPO FOREIGN & COLONIAL PORTFOLIOS FUND, SICAV

Registered Office: Luxembourg, 14, rue Aldringen
Commercial Register: Luxembourg Section B 25.570

The Annual General Meeting of Shareholders of HYPO FOREIGN AND COLONIAL PORTFOLIOS FUND, SICAV, will be held at its registered office in Luxembourg, 14, rue Aldringen, on February 24th, 1992 at 11.30 a.m. for the purpose of considering and voting upon the following matters:

- To hear and accept:
 - the management report of the directors
 - the report of the auditor
- To approve the statement of assets and liabilities and statement of operations for the year ended October 31st, 1991 and to consider declaration of dividends.
- To discharge the directors with respect of their performance of duties for the period ended October 31st, 1991.
- To elect the directors to serve until the next annual general meeting of shareholders.
- Any other business.

The shareholders are advised that no quorum for the statutory general meeting is required and that decisions will be taken at the majority of the shares present or represented at the meeting.

In order to take part at the statutory meeting of February 24th, 1992, the owners of bearer shares will have to deposit their shares five clear days before the meeting at the registered office of the Fund, 14 rue Aldringen, Luxembourg, or with the following bank:

- Banque Générale du Luxembourg S.A., 14 rue Aldringen, Luxembourg

The Board of Directors

Lloyds Bank Unit Trust Managers

Lloyds Bank Unit Trust Managers Limited ("the Managers") are pleased to announce that on 30 January 1992 at meetings of unitholders in Lloyds Bank International Technology Unit Trust ("International Technology") and Lloyds Bank Energy International Unit Trust ("Energy International"), unitholders duly passed extraordinary resolutions to amalgamate, by way of schemes of amalgamation, both of these unit trusts with Lloyds Bank Worldwide Growth Unit Trust ("Worldwide Growth").

The effective date of the schemes of amalgamation was 6 February 1992 and in accordance with the terms of a letter from the Managers to unitholders in International Technology and Energy International, the Managers are now able to announce, pursuant to the terms of the schemes of amalgamation, the number of income and/or accumulation units in Worldwide Growth issued to former holders of income and/or accumulation units in International Technology and Energy International.

Former Holders of Units in International Technology
For each accumulation unit held on the effective date, unitholders will receive 0.6379 accumulation units in Worldwide Growth. For each income unit held on the effective date, unitholders will receive 0.8744 income units in Worldwide Growth.

Former Holders of Units in Energy International
For each accumulation unit held on the effective date, unitholders will receive 0.1925 accumulation units in Worldwide Growth. For each income unit held on the effective date, unitholders will receive 0.2350 income units in Worldwide Growth.

Unitholders should address any enquiries to the Managers at:
Lloyds Bank Unit Trust Managers Limited
Mountbatten House
Chatham
Kent
ME4 4JF
Telephone: 0634 834000

Lloyds Bank Unit Trust Managers Limited is regulated by the Securities and Investments Board and is a member of the Unit Trust Association.

MERRILL LYNCH MULTINATIONAL INVESTMENT PORTFOLIOS - GLOBAL CURRENCY BOND SERIES

Société d'investissement à Capital Variable
2, boulevard Royal, Luxembourg
R.C. Luxembourg B-29815

To our shareholders,
We have the honour to invite you to attend the
ANNUAL GENERAL MEETING
of shareholders of MERRILL LYNCH MULTINATIONAL INVESTMENT PORTFOLIOS - GLOBAL CURRENCY BOND SERIES, which will take place at the offices of Banque Internationale à Luxembourg, 69, route d'Esch, L-1470 Luxembourg, on February 28, 1992 at 4.00 p.m. for the purpose of considering and voting upon the following agenda:

- Submission of the reports of the Board of Directors and of the Auditors.
- Approval of the Statement of Net Assets as of November 30, 1991 and the Statement of Operations for the year ended November 30, 1991.
- Allocation and of the net profits. Decision on the distribution of a dividend in respect of certain portfolios.
- Discharge of the Directors.
- Receipt of and action on nomination of the Directors.
- Miscellaneous

Resolutions on the agenda of the Annual General Meeting will require no quorum and will be taken at the simple majority of the votes expressed by the shareholders present or represented at the meeting.

THE BOARD OF DIRECTORS

MAES Funding No. 2 PLC

£200,000,000
Floating Rate Notes due 2017

Notice is hereby given that the Rate of Interest has been fixed at 10.65% for the interest period 10th February, 1992 to 11th May, 1992.

The interest amount payable on 11th May, 1992 will be £1,228,655 in respect of each £46,400 Principal Amount Outstanding of each Note.

Agent Bank
10th February, 1992

EMPLOYEE OWNERSHIP

The FT proposes to publish this survey on March 12 1992. The F.T. has the highest readership amongst senior European business people who have responsibility for corporate planning, legal and personnel matters, which are the disciplines needed for creating and implementing Employee Ownership schemes. If you want to reach this important audience, call Ian Ely-Corbett Tel: 071 873 4148 or Fax: 071 873 3062.

Data source: European Business Readership Survey 1991

FT SURVEYS

Notice of Redemption FINNISH EXPORT CREDIT LTD
(Incorporated with limited liability in the Republic of Finland)
U.S.\$125,000,000 10% Notes due 1999

NOTICE IS HEREBY GIVEN pursuant to Paragraph 3(a) of the terms and conditions of the above-mentioned Notes, that Finnish Export Credit Ltd ("FEC") has elected to redeem on 2nd December 1992 the "Redemption Date" all of its outstanding U.S.\$125,000,000 10% Notes due 1999 (the "Notes") at a redemption price equal to the principal amount thereof plus interest accrued to the Redemption Date. On and after the Redemption Date, interest on the Notes will cease to accrue.

The Notes should be presented and surrendered to the paying agents as shown on the reverse of the Notes on the Redemption Date with all interest coupons remaining subsequent to said date.

Coupons due 2nd March, 1992 should be detached and presented for payment in the usual manner.

12th February 1992
By: Citibank, N.A. (CSD Dept)
London Principal Paying Agent

CITIBANK

Notice of Early Redemption U.S. \$60,000,000 GARIPLO

Cassa di Risparmio delle Province Lombarde
(An Ente Pubblico del Credito established in the Republic of Italy performing general banking activities in accordance with Italian law) (As effective from December 20, 1991 it has been transformed into a joint stock company GARIPLO - Cassa di Risparmio delle Province Lombarde S.p.A., by the operation of the Italian banking law)

Hong Kong Branch

10% per cent. Depositary Receipts Due 1999 (the "Receipts")

Notice is hereby given in accordance with Condition 4(b) of the Terms and Conditions of the Receipts, that all outstanding Receipts will be redeemed at their principal amount on March 16, 1992 (the "Redemption Date") when interest on the Receipts will cease to accrue. Payment of principal together with payment of interest in respect of Coupon No. 3 will be made in accordance with the Terms and Conditions of the Receipts, at the offices of any of the Paying Agents who continue to be listed in the Terms and Conditions of the Receipts.

Each Receipt presented for redemption should be presented together with all unremitted coupons appertaining thereto. Unremitted coupons due after the Redemption Date shall become void and no payment shall be made in respect thereof. Receipts and Coupons will become void unless presented for payment in accordance with Condition 5 of the Terms and Conditions of the Receipts, within 10 years in the case of principal, and 5 years in the case of interest, from the relevant date (as defined in Condition 6 of the Receipts) relating thereto.

By: The Chase Manhattan Bank, N.A.
London, Principal Paying Agent
February 12, 1992

CHASE

HYPO FOREIGN & COLONIAL PORTFOLIOS FUND, SICAV

Société d'investissement à capital variable
Registered Office: Luxembourg, 14, rue Aldringen
Commercial Register: Luxembourg Section B 25.570

The Annual General Meeting of Shareholders of HYPO FOREIGN AND COLONIAL PORTFOLIOS FUND, SICAV, will be held at its registered office in Luxembourg, 14, rue Aldringen, on February 24th, 1992 at 11.30 a.m. for the purpose of considering and voting upon the following matters:

- To hear and accept:
 - the management report of the directors
 - the report of the auditor
- To approve the statement of assets and liabilities and statement of operations for the year ended October 31st, 1991 and to consider declaration of dividends.
- To discharge the directors with respect of their performance of duties for the period ended October 31st, 1991.
- To elect the directors to serve until the next annual general meeting of shareholders.
- Any other business.

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The Board of Directors

BUSINESS AND THE ENVIRONMENT

Andrew Fisher examines the progress being made in bringing eastern Germany up to western environmental standards

Counting the cost of cleaning up



Bitterfeld, once the symbol of east Germany's environmental ills, is slowly attracting new investment

It seems like an almost impossible task. By the start of the next century, Germany hopes to bring its economically ailing and underdeveloped eastern states - now part of a united country for only 16 months - up to the environmental standards of those in the west.

Some experts say it just cannot be done. Others are confident that the necessary financial, industrial and political muscle will be brought to bear on the problem and that east Germany will become an environmental showcase.

The end result is likely to be somewhere between the two. Germany's unification treaty stresses the importance of raising environmental standards in the east both to improve the quality of life and as part of the whole economic reconstruction process. More than DM100m (22m) has been spent on studies alone to assess what needs to be done and what is feasible.

What the experts do not dispute is that the whole process will be extremely costly. The 10 economic research institutes in Munich estimate around DM200bn, though others go much higher. The old east Berlin government treated the issue of pollution with notorious disdain, forbidding concerned citizens to seek out the real facts. The environment was a taboo subject. What was important was economic success and self-sufficiency in industrial and energy production. "Nature was exploited," says Karl Eugen Huthmacher, an environmental ministry official.

Today, it is apparent that progress in cleaning up east Germany's environmental mess is being made. For anyone going to east Germany for the first time after the border was opened in November 1989, one important change is obvious - the air smells cleaner. Heavy use of lignite (brown coal) for domestic and industrial power gave the air an unpleasant tang which has now been lessened as the worst plants have been shut.

Improvements of this kind were inevitable as outdated industrial factories were closed, either because they were dangerous or filthy or both, or because they could not keep pace with the demands of the free market economy. Emissions of noxious fumes have fallen dramatically, as has the pollution of rivers and lakes by waste chemicals. "The main successes have come from economic restructuring rather than an active environmental policy," comments Huthmacher.

Two of the worst industries in pollution terms were chemicals and metal processing. Bitterfeld, the town which housed one of east Germany's biggest chemical complexes, became a byword for the industrial fouling of the land, air, and water. The name symbolised east Germany's environmental ills all too aptly, as well as the moldering chemical plant, a factory producing lignite briquettes also contributed to the stench and dirt.

Bitterfeld lies in the heart of the industrial complex between Leipzig and Halle, both historic cities which

suffered from the weight of industrial development. Not far outside Leipzig is an opencast lignite mine, which devastated a vast area of landscape as the coal was brutally scooped off the ground by huge excavators. From the air, it looks like an arid moonscape where life never existed.

Centred on Halle is a huge chemicals complex, which accounted for half of east Germany's toxic waste and 30 per cent of its water and air pollution. Slightly to the west is Bitterfeld, the headquarters of the Mansfeld metals complex. Scattered around the countryside are big slag heaps. In the shadow of one, near a collection of tumbledown outhouses where ducks waddle among old pieces of machinery, is an arresting little reminder that western standards are being introduced. In a neat row stand six containers - blue for waste, grey for cans, yellow for plastic, and white, green, and brown for glass.

Ironically, notes Huthmacher, east Germany did specify the protection of nature in its constitution, one of the few countries to do so. But it is only in the past two years that environmental consciousness has been allowed to develop. Because of past neglect, the

clean-up job looks forbidding. ● Air. East Germany had the worst air pollution in Europe, mainly because 80 per cent of electricity was produced by sulphur-rich brown coal. Power plants had no filters. By 1990, the government's aim is to reduce sulphur dioxide pollution by 4.2m tonnes a year and that of dust particles by 1.5m tonnes. This will mostly be the job of the utility companies which are

One change is obvious in east Germany - the air smells cleaner

investing heavily in the east. Nearly 200 large power plants will have to be modernised.

In the state of Saxony-Anhalt, containing the bulk of the chemical industry, sulphur dioxide emissions have been cut by 30 per cent and dust by 40 per cent, says Huthmacher. By 2005, the plan is to lower the amount of carbon dioxide in east Germany's air by 40 per cent.

● Water. With 45 per cent of rivers too heavily polluted for use as drink-

ing water and only 35 per cent capable of being brought into such use with complex, expensive technology, the water problem is one of the most acute in east Germany's environment. Industrial closures and modernisation have led to a steep drop in the chemical pollution of the River Elbe, which flows gracefully through Dresden - a year and that of dust particles by 1.5m tonnes. This will mostly be the job of the utility companies which are

One disadvantage for east Germany is that its water lies at a lower average level than in the west, thus putting it closer to the sources of pollution and reducing its capacity for self-purification. Only 75 per cent of the 16m population is connected to a sewage system and less than 80 per cent to treatment plants. Several thousand miles of sewage pipeline will thus have to be built to accord with west German standards.

In the lakes, only 1 per cent the water is suitable for drinking. Names like Silver Lake, near Bitterfeld, and Sweet Lake, near Eisenberg, belie the real state of their contents. With its imposing shoreline castle, Sweet Lake was an important tourist area under the old regime. But the lake has suffered from sewage and heavy use of

fertiliser. A study of the Mansfeld area commissioned by the government described the water as being in "an extremely endangered state".

● Ground. Here, the problem encompasses contamination by industry, mining, uncontrolled waste disposal on open dumps, and by troops, East German and Soviet. Altogether, some 25,000 sites have been identified as possibly being contaminated. No reckoning of the clean-up cost could be DM10bn. This does not include cases like the uranium mines and enrichment plants, agricultural sites, brown coal pits which need recultivating, demolishing the closed nuclear plant at Greifswald, or the 280,000 hectares which Soviet troops occupied. These could cost an extra DM170bn.

At present, only the worst industrial sites are being cleared, partly in preparation for new investment. To keep former employees busy, at least temporarily, many are now helping clear the sites where they once worked. Heinrich Bonenberg, a director of the Treubau privatisation agency, says it will be impossible to spend as much as DM200bn for total soil decontamination - "these are fantasy figures". The east German states, still short of money, will only be able, with Bonn's help, to tackle areas of highest priority.

Even when these have been identified, the task of cleaning up has to be linked with new investment prospects, decisions on which industries or sectors can survive and which must close, and local employment needs. Investing companies do not want to be saddled with huge expenses caused by past pollution. On the other hand, the government and the Treubau want to ensure that they bear at least some of the environmental costs.

Encouragingly, some of the most notorious regions have turned out to be not as polluted as feared. In the Mansfeld metalworking area, for instance, experts have discovered that ground pollution is confined mainly to the smelting sites and has not infected nearby rivers and streams.

On the other hand, there is plenty to be done. High concentrations of arsenic, cadmium, and zinc have been found near an old lead smelter, Hiltmann Wölkemeier, the head of the Mansfeld group, says it could cost up to DM20m to remove the waste caused by copper mining and processing. Attracting new investment is also proving hard.

The same is true at Bitterfeld, though Bayer, the west German chemicals group, is among several companies moving into the area. As with Mansfeld, the number of jobs that survive will be only a fraction of those employed at the old East German Kombinate (conglomerates). "We are dealing with abstract figures," says Volkmar Kayser, also of the Treubau, "but the human and social dimensions are enormous." Among these are the state of the environment. Here, at least, change in east Germany can only be for the better.

Garbage guru wastes no time

By John Thornhill

Garbology is a curious-sounding academic discipline which involves the study of Great Garbo films. Unfortunately for its adherents, garbology lurks at the other end of the glamour spectrum; it is the knowledge of garbage.

Its proponents claim that much can be learned from the study of fresh garbage, and Professor Bill Rathje, the field's leading expert, talks about the topic with near-missionary zeal. Whenever more than three people gather to talk about domestic waste, it seems, up pops Rathje to rail against the popular misconceptions and regulatory ignorance that surrounds the topic.

A voluble American with greying hair and expressive eyebrows, Rathje has become something of a fixture at environmental conferences amusing delegates with tales of derelict-do among the detritus of the modern world.

The author of several books on the subject - including 'Rubbish! and the History of Garbage' - Rathje takes his subject seriously. And his studies serve a serious purpose. How can politicians regulate to reduce waste if they do not know what it consists of, he asks.

Rathje and his team from the University of Arizona adopt a scientific approach to their subject. They extract a vertical cross-section of a garbage tip by use of an adapted drilling rig, sift and sort the waste and evaluate its composition. They have unearthed some surprising discoveries. "I am an archaeologist, which means I was trained to look at ancient societies by looking at very old garbage. In 1973 I started looking at fresh garbage. We can learn something new about ourselves," he told a recent conference.

Most people assume that garbage - or rubbish as it's known east of the Atlantic - consists largely of fast food containers, packaging waste and soiled nappies. People make a natural conceptual

extrapolation that what looms largest in their own garbage cans must represent the bulk of landfill sites. Many believe polystyrene foam accounts for 25 to 40 per cent of all waste.

Not so, according to Rathje. From his studies of 15 North American landfill sites, he has found that all forms of disposable food packaging make up only 0.5 per cent of total waste. The vast bulk is accounted for by paper products and construction waste.

Surprisingly, he suggests that it is wrong to see paper as a benign form of waste. A common feature of landfill sites is that the sheer weight of the garbage squeezes out the oxygen and water necessary for micro-organisms to exist and prevents raw materials from degrading. As garbologists are fond of observing: "Biodegradability is the biggest myth since Santa Claus."

The European Commission would perhaps do well to consider Rathje's conclusions when framing the final draft of its packaging waste directive. His findings may do something to alleviate the pressure on the packaging industry, which is unfairly regarded as one of the great scourges of the modern "throw-away" society.

But no one should underestimate the scale of the waste problem. Rathje said that when he was at school he learned that the biggest man-made structure in the New World was the Temple of the Sun in Mexico, built around 2,000 years ago. But he has since calculated that a single landfill site overlooking San Francisco bay is almost five times as big.

In spite of his enthusiasm for his subject, Rathje accepts that a career in garbology does have obvious drawbacks. He swears that you do not notice the smell of a landfill site after 10 minutes of breathing in the fumes but admits that the odour stays with you. "I took my crew to a Pizza Hut for lunch and cleaned it out in five minutes. The manager came up to me and said: 'For you guys we'll deliver.'"

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LONDON STOCK EXCHANGE

Poor volume again depresses equities

By Terry Byland, UK Stock Market Editor

POOR trading volume remained the principal feature yesterday of a UK stock market unwilling, or unable, to move out of its current trading range. Lingers hopes of an early cut in UK base rates pushed shares ahead at first. FT-SE 2,550, challenged at 2,570, proved the best of the day's range and the final reading showed the Footsie some 13 points below this level for a net loss of 1.5.

A further half-point reduction in base rates is considered inevitable before the UK general election, which the stock market has pencilled in for April 9. But the latest bout of rate speculation has come from the London money markets and has been received with caution in the stock market as it swells the latest UK inflation

to 5.890.4m on Monday, the lowest daily total since last November after extracting the half-centuries traded over the Christmas break.

Yesterday's Seag equity volume, which takes in both customer and intra-market business, reached only 429.5m shares, little better than Monday's 426.4m, bearing out traders' comments that "business was little better."

Nervousness over the fall in genuine investment activity has been heightened this week by reports that another broking operation is up for sale, and by a further management shakeup at Salomon Brothers of the US, involving its London-based operations.

Encouraged by Wall Street's firmness overnight and by renewed interest rate hopes in

the money markets, equities added 11.5 on the Footsie in early deals. In the absence of investment support, however, shares soon headed off and the Footsie struggled to remain in positive territory.

Later, London was helped by an early advance in New York but when the early gain in the Dow was trimmed to 6 points in UK hours, the London market shaded lower again.

The final reading put the FT-SE index at 2,551, a net loss of 1.5. Traders now see the London market as caught in a trading range between FT-SE 2,400 and 2,550, or "2,500 on a good day" as one trader put it yesterday.

Until both the domestic political and economic outlooks become more clear, fund managers appear unwilling to

chase stocks, although support yesterday for ICI and for some store issues indicated that they are selective buyers rather than sellers of shares. Traders also said that the institutions had shown interest in second line issues.

There was no immediate response in London to reports that Mr Alan Greenspan, chief of the US Federal Reserve Board, had told a US bankers' meeting that the Fed stood ready to ease US monetary policy further if necessary. The London market remained apprehensive over the outlook for Wall Street and for the economic situation in the US. Also overhanging London were doubts concerning the Japanese stock market when it returned to trading today after a national holiday.

FINANCIAL TIMES STOCK INDICES

	Feb 11	Feb 10	Feb 9	Feb 8	Feb 7	Year Ago	1991/92	Low	Since Completion
Government Secs	88.29	88.25	88.17	88.10	88.23	85.03	88.29	82.17	127.4
							(11/2/92)	(21/91)	(W/1/93)
Fixed Interest	100.93	100.98	100.90	100.90	100.90	93.16	100.90	90.59	105.4
							(2/1/93)	(2/1/91)	(2/1/1/97)
Ordinary Share	1984.2	1958.9	1945.1	1961.2	1970.9	1761.1	2108.3	1806.3	2108.3
							(2/9/91)	(1/1/1/91)	(2/1/91)
Gold Mines	141.9	139.7	141.7	145.2	148.1	135.1	222.8	127.0	75.7
							(11/2/91)	(12/1/91)	(1/2/93)
FT-SE 100 Share	2571.1	2536.4	2517.3	2534.3	2547.1	2297.8	2579.8	2054.8	2078.8
							(11/2/91)	(12/1/91)	(1/2/93)
FT-SE Euroshare 200	1172.23	1173.05	1168.36	1172.04	1175.21	1033.73	1196.60	938.82	1196.60
							(5/9/91)	(1/1/91)	(3/3/91)
Div. Div. Yield	4.85	4.86	4.89	4.82	4.83	5.38	1075.8	1075.8	1075.8
Earning Yield % (half)	8.91	8.93	8.97	8.95	8.95	11.20	1075.8	1075.8	1075.8
Div. Yield % (net)	18.14	18.11	17.99	18.12	18.10	10.79	1075.8	1075.8	1075.8
Div. Yield % (gross)	18.14	18.11	17.99	18.12	18.10	10.79	1075.8	1075.8	1075.8
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Div. Yield % (net)	18.14	18.11	17.99	18.12	18.10	10.79	1075.8	1075.8	1075.8
Div. Yield % (gross)	18.14	18.11	17.99	18.12	18.10	10.79	1075.8	1075.8	1075.8
Div. Yield % (net)	18.14	18.11	17.99	18.12	18.10	10.79	1075.8	1075.8	1075.8
Div. Yield % (gross)	18.14	18.11	17.99	18.12	18.10	10.79	1075.8	1075.8	1075.8
Div. Yield % (net)	18.14	18.11	17.99	18.12	18.10	10.79	1075.8	1075.8	1075.8
Div. Yield % (gross)	18.14	18.11	17.99	18.12	18.10	10.79	1075.8	1075.8	1075.8
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Div. Yield % (net)	18.14	18.11	17.99	18.12	18.10	10.79	1075.8	1075.8	1075.8
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Div. Yield % (net)	18.14	18.11	17.99	18.12	18.10	10.79	1075.8	1075.8	1075.8
Div. Yield % (gross)	18.14	18.11	17.99	18.12	18.10	10.79	1075.8	1075.8	1075.8
Div. Yield % (net)	18.14								

FINANCIAL TIMES WEDNESDAY FEBRUARY 12 1992

INVESTMENT TRUSTS - CON. 199

25
MERCHANT BANK

● Current Unit Trust prices are available on FT Cityline. Calls charged at 38p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128

Britannia Life Unit Managers Ltd (L200)F
190 West George St. Glasgow G2 2PA 041-332 3192

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Continued on next page

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1-15-74

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar rises against D-Mark

THE DOLLAR strengthened against the D-Mark yesterday spurred by speculation that the Federal Reserve would not cut rates, writes *Peggy Hollinger*.

The US unit jumped almost two pence against the D-Mark in the morning, before Mr Alan Greenspan, chairman of the Federal Reserve, spoke to US bankers.

Although he left his options open for a further rate cut, Mr Greenspan said he felt existing actions would be sufficient to prompt recovery. The economic payoff should come soon, he added.

Boasting his statement, a Washington-based consultancy, Johnson and Smith, issued its own view that the Fed would not cut rates in the near-term.

The dollar closed in London up two pence at DM1.505. The DM1.50 rate was seen as a key support level. The dollar is expected to trade within a fairly narrow range while the market waits for the next significant economic data from the US.

Retail sales for January, which are published on Thursday, are expected to be flat.

Dollar sentiment was also boosted by talk that the Bank of Switzerland would not prevent a sharp fall in the Swiss franc. Although the Bank

denied the rumours, the damage had been done and the dollar strengthened from SF1.4040 to close at SF1.4240 in London.

The yen weakened against the dollar in line with the D-Mark's decline. At one stage, the Japanese unit hit Y127.50 against the dollar - close to the level at which the Fed and the Bank of Japan intervened last month. However, the rate fell back to Y126.85, just 15 basis points above Monday's close.

A senior trader said there had been "good interest" in dollar for yen trade from Japanese banks.

Sterling also took some heat from a stronger dollar, falling in London from £1.8260 to £1.8015. However, within the European exchange rate mechanism, the pound appeared underpinned by speculation of a rate cut in the UK.

It weakened only slightly

against the D-Mark, from DM2.8675 to DM2.8650. "The powers that be would be encouraged by sterling's performance against a background of rumoured rate cuts," said one dealer.

Paradoxically, when the Bank of England signalled that it would not cut yesterday, sterling actually fell 20-30 points, the dealer added.

Rumours were rife during the day that the Spanish and British central banks would simultaneously cut rates at some stage.

The posita's lead within the ERM is keeping sterling pressed against the limit of its allowed divergence from the central rate.

Sterling ended at Pta180.68/70, virtually brushing the ERM floor of Pta180.55.

Spanish inflation figures are to be published on Thursday, which could offer the opportunity of a rate cut in Spain.

EMS EUROPEAN CURRENCY UNIT RATES

Currency	Unit	Rate	% Change	% Spread	Divergence
Spanish Ptas	100	180.68	-0.13	0.12	64
Italian Lira	1,000	1,366.50	-0.01	0.01	0
French Franc	100	6.5596	-0.01	0.01	0
German Mark	100	1.8015	-0.01	0.01	0
British Pound	100	1.8015	-0.01	0.01	0
Japanese Yen	100	126.85	-0.01	0.01	0
Swiss Franc	100	1.5050	-0.01	0.01	0
Dutch Guilder	100	2.2037	-0.01	0.01	0
Portuguese Escudo	200	200.48	-0.01	0.01	0
Irish Punt	100	7.8756	-0.01	0.01	0
Greek Drachma	100	340.75	-0.01	0.01	0
Spanish Peseta	100	166.64	-0.01	0.01	0

Unit rates set by the European Commission. Conversion rates are determined by the strength of the currencies. The percentage change is calculated on the basis of the previous day's closing rate. The percentage spread is calculated on the basis of the previous day's closing rate. The divergence is calculated on the basis of the previous day's closing rate.

Forward prices and discounts apply to the US dollar

Forward	Rate	Discount
1 month	1.5050	0.0000
3 months	1.5050	0.0000
6 months	1.5050	0.0000
12 months	1.5050	0.0000

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Forward prices and discounts apply to the US dollar

FINANCIAL FUTURES AND OPTIONS

LIFTING LIFT FUTURES OPTIONS

Strike	Call	Put
100	0.01	0.01
110	0.01	0.01
120	0.01	0.01
130	0.01	0.01
140	0.01	0.01
150	0.01	0.01
160	0.01	0.01
170	0.01	0.01
180	0.01	0.01
190	0.01	0.01
200	0.01	0.01

Estimated volume total, Call 113 Puts 74

Previous day's open, Call 113 Puts 74

Previous day's open, Call 113 Puts 74

Previous day's open, Call 113 Puts 74

Previous day's open, Call 113 Puts 74

Previous day's open, Call 113 Puts 74

Previous day's open, Call 113 Puts 74

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Previous day's open, Call 113 Puts 74

Previous day's open, Call 113 Puts 74

WORLD STOCK MARKETS

[illegible]

CANADA											
Sales	Stock	High	Low	Close	Change	Sales	Stock	High	Low	Close	Change
TORONTO											
3:00 pm prices February 11											
Questions in caps unless marked S											
12900 Abitibi P	451 1/2	15	15 1/2	15 1/2	+	12900 Abitibi P	451 1/2	15	15 1/2	15 1/2	+
20000 Agnico	50	5 1/2	5 1/2	5 1/2	+	20000 Agnico	50	5 1/2	5 1/2	5 1/2	+
4000 Air Cdn	37 1/2	47	47 1/2	47 1/2	+	4000 Air Cdn	37 1/2	47	47 1/2	47 1/2	+
10300 Alcan Et	57 1/2	11 1/2	11 1/2	11 1/2	+	10300 Alcan Et	57 1/2	11 1/2	11 1/2	11 1/2	+
8000 AlcanGas	51 1/2	12 1/2	12 1/2	12 1/2	+	8000 AlcanGas	51 1/2	12 1/2	12 1/2	12 1/2	+
12500 Alcan Al	52 1/2	24 1/2	24 1/2	24 1/2	+	12500 Alcan Al	52 1/2	24 1/2	24 1/2	24 1/2	+
107400 Bell	52 1/2	12 1/2	12 1/2	12 1/2	+	107400 Bell	52 1/2	12 1/2	12 1/2	12 1/2	+
5000 Alcan Cl	51 1/2	24 1/2	24 1/2	24 1/2	+	5000 Alcan Cl	51 1/2	24 1/2	24 1/2	24 1/2	+
8500E In Wor	54 1/2	4	4 1/2	4 1/2	+	8500E In Wor	54 1/2	4	4 1/2	4 1/2	+
807000 BHP	52 1/2	22 1/2	22 1/2	22 1/2	+	807000 BHP	52 1/2	22 1/2	22 1/2	22 1/2	+
3000 BQ Sugar	51 1/2	13 1/2	13 1/2	13 1/2	+	3000 BQ Sugar	51 1/2	13 1/2	13 1/2	13 1/2	+
14000 BCE Inc	54 1/2	48 1/2	48 1/2	48 1/2	+	14000 BCE Inc	54 1/2	48 1/2	48 1/2	48 1/2	+
10000 BCE Inc	54 1/2	48 1/2	48 1/2	48 1/2	+	10000 BCE Inc	54 1/2	48 1/2	48 1/2	48 1/2	+
2000 BGR A	57 1/2	7 1/2	7 1/2	7 1/2	+	2000 BGR A	57 1/2	7 1/2	7 1/2	7 1/2	+
7800 BQ 98 1/2	51 1/2	18 1/2	18 1/2	18 1/2	+	7800 BQ 98 1/2	51 1/2	18 1/2	18 1/2	18 1/2	+
1800 BQ 98 1/2	51 1/2	18 1/2	18 1/2	18 1/2	+	1800 BQ 98 1/2	51 1/2	18 1/2	18 1/2	18 1/2	+
25700 BP Canada	51 1/2	12 1/2	12 1/2	12 1/2	+	25700 BP Canada	51 1/2	12 1/2	12 1/2	12 1/2	+
23700 Brambles	53 1/2	5 1/2	5 1/2	5 1/2	+	23700 Brambles	53 1/2	5 1/2	5 1/2	5 1/2	+
21000 Brucan A	51 1/2	18 1/2	18 1/2	18 1/2	+	21000 Brucan A	51 1/2	18 1/2	18 1/2	18 1/2	+
6000 Brewster	52 1/2	27 1/2	27 1/2	27 1/2	+	6000 Brewster	52 1/2	27 1/2	27 1/2	27 1/2	+
27500 BQ Tel	52 1/2	22 1/2	22 1/2	22 1/2	+	27500 BQ Tel	52 1/2	22 1/2	22 1/2	22 1/2	+
3200 Brunner	51 1/2	18 1/2	18 1/2	18 1/2	+	3200 Brunner	51 1/2	18 1/2	18 1/2	18 1/2	+
3300 Brunner	51 1/2	18 1/2	18 1/2	18 1/2	+	3300 Brunner	51 1/2	18 1/2	18 1/2	18 1/2	+
4040 CAE Int	58 1/2	4 1/2	4 1/2	4 1/2	+	4040 CAE Int	58 1/2	4 1/2	4 1/2	4 1/2	+
14000 Canbar	52 1/2	8 1/2	8 1/2	8 1/2	+	14000 Canbar	52 1/2	8 1/2	8 1/2	8 1/2	+
9010 Cambridge	51 1/2	18 1/2	18 1/2	18 1/2	+	9010 Cambridge	51 1/2	18 1/2	18 1/2	18 1/2	+
2000 Caneco	51 1/2	15 1/2	15 1/2	15 1/2	+	2000 Caneco	51 1/2	15 1/2	15 1/2	15 1/2	+
5000 Can Pac	52 1/2	7 1/2	7 1/2	7 1/2	+	5000 Can Pac	52 1/2	7 1/2	7 1/2	7 1/2	+

NEW YORK DOW JONES													
				1982		Since completion						1982	
Feb 10	Feb 7	Feb 6	Feb 5	HIGH	LOW	HIGH	LOW	Feb 11	Feb 8	Feb 7	Feb 6	HIGH	LOW
Admiralty	3265.08	3225.40	3235.59	3257.10	3272.81	3172.41	3172.41	3272.81	41.22				
				3272.81	3272.81	3272.81	3272.81	3272.81	41.22				
Home Bonds	99.45	99.65	99.85	99.79	100.00	99.79	99.79	100.00	0.21				
				100.00	100.00	100.00	100.00	100.00	0.21				
Transport	1368.83	1363.22	1362.19	1363.41	1364.00	1363.41	1363.41	1364.00	0.59				
				1364.00	1364.00	1364.00	1364.00	1364.00	0.59				
Utilities	207.44	206.25	207.81	207.75	208.00	207.75	207.75	208.00	0.25				
				208.00	208.00	208.00	208.00	208.00	0.25				
4day's High 3283.91 (3283.09) Low 3268.86 (3199.94)													
FINANCIAL													
ASIA/PACIFIC													
Australia	1243.5	1259.9	1250.9	1254.6	1275.0	1254.6	1254.6	1275.0	31.47			1275.0	1254.6
Canada	1031.1	1024.15	1027.88	1028.37	1033.17	1028.37	1028.37	1033.17	4.80			1033.17	1028.37
Europe	431.32	429.16	428.90	428.90	433.22	428.90	428.90	433.22	4.06			433.22	428.90
Japan	1031.1	1024.15	1027.88	1028.37	1033.17	1028.37	1028.37	1033.17	9.02			1033.17	1028.37
Latin America	1243.5	1259.9	1250.9	1254.6	1275.0	1254.6	1254.6	1275.0	31.47			1275.0	1254.6
Middle East	1031.1	1024.15	1027.88	1028.37	1033.17	1028.37	1028.37	1033.17	4.80			1033.17	1028.37
South America	1243.5	1259.9	1250.9	1254.6	1275.0	1254.6	1254.6	1275.0	31.47			1275.0	1254.6
DEMARKET													
Continents	357.24	357.65	360.32	361.41	363.29	361.41	361.41	363.29	1.67			363.29	361.41
FINANCIAL	895.0	888.6	890.3	884.0	891.0	884.0	884.0	891.0	6.40			891.0	884.0

	Feb 7	Jan 31	Jan 24	year ago (approx.)
Comptrols	413.77	493.99	493.82	412.88
Industrials	493.51	499.59	499.61	492.88
Financial	34.26	34.12	34.35	34.20
NYSE Composite	226.93	225.44	226.26	228.87
Amer Mkt. Value	425.64	425.61	426.05	426.58
NASDAQ Composite	63.83	63.95	63.87	63.87
NYSE Composite	420.77	408.76	420.77	440.30
Industrials	493.51	493.51	493.51	493.51
Financial	34.26	34.12	34.35	34.20
NYSE Composite	226.93	225.44	226.26	228.87
Amer Mkt. Value	425.64	425.61	426.05	426.58
NASDAQ Composite	63.83	63.95	63.87	63.87

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TOKYO - Most Active Stocks						
Monday 10 February 1992						
	Stocks Traded	Closing Price	Change on day		Stocks Traded	Closing Price
Kubota	5,716	111	-	Nippon Steel	330	1,300
Canon	2,606	1,120	+30	Aisumori Bank	136	884
Ube Ind	2,561	101	-12	Indochina	166	884
Sharp	1,861	1,640	+10	Toshiba	146	821
Nippon Heavy	1,776	644	-8	77 Bank	146	821

EMPLOYEE OWNERSHIP

The FT proposes to publish this survey on
March 12 1992.
 The F.T. has the highest readership amongst senior
 European business people who have responsibility for
 corporate planning, legal and personnel matters, which are
 the disciplines needed for creating and implementing
 Employee Ownership schemes. If you want to reach this
 important audience, call
Ian Ely-Corbett
Tel: 071 873 4148
or
Fax: 071 873 3062.

Data source: European Business Readership Survey 1991

 FINANCIAL TIMES

**A NEWLY FORMED & GROWING
EUROPE'S BUSINESS NEWSPAPER**

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Continued on next page

NASDAQ NATIONAL MARKET[illegible][illegible][illegible][illegible][illegible]

- J -					- R -				
Julie Smith	20	238	12 1/2	11 1/2	Rainbow	36	573	29 1/2	28 1/2
Jason Joe	0.26	30	13	12 1/2	19 1/2	Rainy	27	711	23 1/2
Wally Lu	3	100	8 1/2	5 1/2	Rustlers	18	264	15	14 1/2
J.G. and	0.25	9	20	12 1/2	10 1/2	Raymond	40	106	9 1/2
Johnson W	17	16	25 1/2	23	Regency	62	543	11 1/2	11 1/2

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	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100	2101	2102	2103	2104	2105	2106	2107	2108	2109	2110	2111	2112	2113	2114	2115	2116	2117	2118	2119	2120	2121	2122	2123	2124	2125	2126	2127	2128	2129	2130	2131	2132	2133	2134	2135	2136	2137	2138	2139	2140	2141	2142	2143	2144	2145	2146	2147	2148	2149	2150	2151	2152	2153	2154	2155	2156	2157	2158	2159	2160	2161	2162	2163	2164	2165	2166	2167	2168	2169	2170	2171	2172	2173	2174	2175	2176	2177	2178	2179	2180	2181	2182	2183	2184	2185	2186	2187	2188	2189	2190	2191	2192	2193	2194	2195	2196	2197	2198	2199	2200	2201	2202	2203	2204	2205	2206	2207	2208	2209	2210	2211	2212	2213	2214	2215	2216	2217	2218	2219	2220	2221	2222	2223	2224	2225	2226	2227	2228	2229	2230	2231	2232	2233	2234	2235	2236	2237	2238	2239	2240	2241	2242	2243	2244	2245	2246	2247	2248	2249	2250	2251	2252	2253	2254	2255	2256	2257	2258	2259	2260	2261	2262	2263	2264	2265	2266	2267	2268	2269	2270	2271	2272	2273	2274	2275	2276	2277	2278	2279	2280	2281	2282	2283	2284	2285	2286	2287	2288	2289	2290	2291	2292	2293	2294	2295	2296	2297	2298	2299	2300	2301	2302	2303	2304	2305	2306	2307	2308	2309	2310	2311	2312	2313	2314	2315	2316	2317	2318	2319	2320	2321	2322	2323	2324	2325	2326	2327	2328	2329	2330	2331	2332	2333	2334	2335	2336	2337	2338	2339	2340	2341	2342	2343	2344	2345	2346	2347	2348	2349	2350	2351	2352	2353	2354	2355	2356	2357	2358	2359	2360	2361	2362	2363	2364	2365	2366	2367	2368	2369	2370	2371	2372	2373	2374	2375	2376	2377	2378	2379	2380	2381	2382	2383	2384	2385	2386	2387	2388	2389	2390	2391	2392	2393	2394	2395	2396	2397	2398	2399	2400	2401	2402	2403	2404	2405	2406	2407	2408	2409	2410	2411	2412	2413	2414	2415	2416	2417	2418	2419	2420	2421	2422	2423	2424	2425	2426	2427	2428	2429	2430	2431	2432	2
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Cell Corp	17	2207	33 1/2	32 1/2	32 1/2	+	+
Dep Qly	1.56	8	69	67	36 1/2	37	+ 1/2
DeVoson	0.20	8	2	16	14 1/2	16	+ 1/2

York	0.20	15	36	12½	11½	11½	-1½	-	-	Sanfield	1.20	44	36	20½	20½	20½	-	-
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The survey will be seen in 160 countries worldwide and will be of special interest to 51,000 readers in the

UK who are decision makers on postal despatch and freight

Bill Castle
on 071 873 3760
or Fax 071 873 3062.

Data source: BAFRC Businessman
survey 1990

FINANCIAL TIMES

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in 160 countries

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Data source: BAFRC Businessman
survey 1990

EUROPE'S BUSINESS NEWSPAPER

AMERICA

Dow holds up despite receding rate cut hopes

Wall Street

SHARE prices were little changed yesterday morning after investors shrugged off comments from Mr Alan Greenspan, chairman of the Federal Reserve, which appeared to rule out an interest rate cut, writes Patrick Harveron in New York.

By 1 pm the Dow Jones Industrial Average was down 0.67 at 3,244.1, and the index barely moved from its overnight close all morning. The more broadly based Standard & Poor's 500 was slightly weaker at mid-session, down 0.87 at 412.90 at 1 pm, while the Nasdaq composite of over-the-counter stocks failed to hold on to its early gains, slipping 0.65 to 893.48. Rates outpaced declines by 813 to 740, an indication of the market's underlying firm tone.

Although investors remain sensitive to changes in monetary policy, recent gains have been fuelled by hopes of an interest rate cut, they chose to ignore statements by Mr Greenspan yesterday which indicated he was satisfied that the last interest rate cut, a one percentage point reduction in the discount rate on December 20, would be sufficient to spur the economy towards a solid recovery.

Attention focused on individual corporate stories, in particular on quarterly results. Goodyear climbed 1 1/4 to 86 1/4 after the tire company announced fourth quarter income of \$105.1m, a big improvement on the \$11.6m earned at the same stage of 1990.

Corning Glass fell 1 1/2 to \$29 and Dow Chemical rose 1/2 to \$56 as the controversy surrounding the silicone breast implants manufactured by Dow Corning, which is jointly owned by the two companies, continued.

After a delayed opening due to an order imbalance on the buy side, Greyhound jumped 1 1/2 to \$10 on the American Stock Exchange after an analyst at Legg Mason Wood Walker issued an initial buy

recommendation, arguing that the company, which emerged from bankruptcy last October, is well positioned to benefit from its role as the only US national bus operator.

Deere & Co climbed 1/2 to \$52 1/2 in the wake of an upgrade from Bear Stearns, the brokerage house, which now rates the agricultural equipment manufacturer's stock a "buy".

First Fidelity Bancorp rose 3/4 to \$34 after Alex Brown & Sons added the stock to its "emphasis" list for institutional clients, citing the group's capital strength, asset quality improvement and operating efficiencies.

On the over-the-counter market, Medical Graphics soared 1 1/2 to \$17 in active trading after the Food and Drug Administration granted approval for the company's pulmonary function diagnostic system.

Canada

THE first phase of the US treasury refunding kept equity traders on the sidelines in Toronto and the market was flat at midday. The TSE 300 composite index rose 0.5 to 3,609.0. Advancing issues narrowly led declines by 215 to 214 on volume of 15.5m shares valued at C\$146.5m.

Among active issues, Sheritt Gordon rose C\$4 to C\$89 1/4, Placer Dome rose C\$4 to C\$12 1/4, Lac Minerals eased C\$1 1/2 to C\$68 1/2 and Mital Corp rose 1 cent to C\$3.70.

Hollinger, the holding company for the publisher Mr Conrad Black, rose C\$4 to C\$13 1/4. A Hollinger vice president said the company is taking a closer look at the New York Daily News.

SOUTH AFRICA

JOHANNESBURG was held back by the weak financial results of the JSE all-share index gained 6 to 3,666 in low volume. The all-gold index put on 3 to 1,287, with Vaal Reefs unchanged at R224 and Southvaal shedding R1 to R73. Industrials rose 9 to 4,490.

Foreign capital flows into Brazil on inflation hopes

For the second consecutive month this emerging market is the best performer, writes Antonia Sharpe

Optimism about inflation and hopes that the International Monetary Fund (IMF) would approve a \$2.1bn standby facility made Brazil the best performing emerging market in January for the second month in a row, according to indices published by the International Finance Corporation (IFC), part of the World Bank.

Brazil rose 37.6 per cent in dollar terms last month, compared with a 44.9 per cent advance in December. Mr Jose Serra's recent decision to appoint three members of the liberal FSL party as his ministers, thus strengthening his power base in congress.

Furthermore, the government's tight monetary policy and forecasts of a good harvest this year make it plausible that inflation will be in single figures by the end of the year, compared with an estimated 25 per cent in January. However,

Ms Derrick believes that the government's forecast of 2 per cent inflation in its letter of intent to the IMF is too optimistic. Investors are also hoping for good news from this month's negotiations with the Paris club grouping of creditor governments.

The worst performer was Pakistan, which fell by 13.4 per cent in dollar terms, partly eroding December's 30.4 per cent record-breaking advance. Karachi fell steadily last month on news of unrest in the southern province of Sindh, and continues to weaken.

Rumours of a build-up of troops on the border last week interrupted India's recent rise to new peaks. According to the IFC, India rose by 30.6 per cent in January in dollar terms. The only other faller on the month was Portugal, down 6.8 per cent in spite of the government's attempts to make the market more attractive.

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IFC EMERGING MARKETS PRICE INDICES						
Market	No. of stocks	Dollar terms		Local currency terms		Local currency terms
		Jan 31	% Change over month	Jan 31	% Change over month	% Change on Dec '91
Latin America						
Argentina	(29)	1,326.96	+3.4	72,879.478	+2.8	+2.6
Brazil	(98)	144.36	+37.6	58,281,527	+68.5	+68.5
Colombia	(20)	1,558.75	+1.1	4,259.27	+4.8	+4.8
Mexico	(68)	1,071.94	+33.0	6,735.03	+35.0	+35.0
Venezuela	(17)	1,611.79	+9.6	25,599.88	+8.8	+8.8
East Asia						
South Korea	(91)	307.40	+7.5	233.25	+8.0	+8.0
Philippines	(30)	1,507.37	+11.8	2,086.49	+9.7	+9.7
Taiwan, China	(70)	739.94	+17.5	468.57	+15.2	+15.2
South Asia						
India	(62)	331.85	+20.6	691.78	+21.2	+21.2
Indonesia	(83)	53.53	+14.0	70.72	+14.9	+14.9
Malaysia	(23)	151.86	+5.7	164.57	+2.1	+2.1
Pakistan	(58)	276.37	-13.4	441.54	-13.6	-13.6
Thailand	(51)	346.07	+9.1	323.29	+10.5	+10.5
Euro/Mid East						
Greece	(32)	457.11	+10.4	622.70	+17.4	+17.4
Jordan	(27)	27.22	+1.1	173.34	+1.6	+1.6
Portugal	(30)	400.20	-6.8	354.07	-4.2	-4.2
Turkey	(25)	67.48	+2.9	622.92	+10.5	+10.5

Source: International Finance Corporation. Data date: Dec 1991 = 100. Dec 1990 = 100. Jan 1991 = 100. Dec 1989 = 100.

EUROPE

Senior bourses take their cue from a variety of sources

SENIOR bourses moved for a variety of reasons yesterday, writes Our Markets Staff. Special situations in Paris were offset by sector analysis in Frankfurt and Amsterdam, interest rate hopes in Zurich and Madrid and sheer relief in Stockholm.

PARIS saw some volatility, but a slightly easier close, the CAC 40 index losing 1.49 to 1,864.06 in relatively light turnover of FF1.8bn.

Ferret continued to advance on continued hopes of a counterbid. Dealers reported big buyers but only small amounts of stock on offer, which drove the price up by FF29 to FF1,530 with 67,100 shares traded, less than half the volume seen on Monday. Other gainers included Pechiney Gt's which rose FF11 to 3.5 per cent to FF901, with 104,000 units exchanged on 1981 turnover in line with expectations.

Dealers also reported big turnover in Esso, the subsidiary of Exxon Corp, which jumped FF23 or 3.4 per cent after a newsletter reported that Saudi Arabia's state oil company, Saudi Aramco, was in talks with Esso for a stake in its European oil refining and

FT-SE Eurotrack 100 - Feb 11									
Hourly changes					Daily changes				
Open	10 am	11 am	12 pm	2 pm	3 pm	Close	Day's High	Day's Low	1187.22
1139.67	1140.24	1140.63	1139.84	1139.03	1138.99	1138.74	1139.74	1137.74	
Feb 10									
1137.68							1137.10	1138.76	1138.71
Feb 9									
1137.68							1137.10	1138.76	1138.71

marketing operations. But some analysts said the Saudi story sounded unlikely and attributed the rise to hopes of an increase in the 1991 dividend from FF25 to FF40.

Eurotrack slumped FF1.85 or 4 per cent to FF14 with 2.2m shares traded in a delayed reaction to Monday's news of a delay in the tunnel's opening.

FRANKFURT moved chemicals after a shift of recommended weightings within the sector by Deutsche Bank Research.

DBR took Bayer, traditionally highly priced, down from overweight to underweight and the shares fell DM2.90 to DM202.70. BASF, up DM1.50 to DM248.50, was moved from underweight to neutral, and Hoechst (up DM1.70 to DM253.80) from underweight to

overweight. DBR added, however, that it expects Bayer to hold its DM13 share dividend, and those from BASF and Hoechst to be cut each by DM2 a share to DM11 for 1991.

Hopes of maintained dividends all round were advanced as the reason why the whole sector rose on Monday.

Otherwise, the market was mired in a narrow trading range, the FAZ index rising 2.39 to 588.72 at mid-session and the DAX index at 1,983.55 as volume rose from DM4.5m to DM5.4m.

AMSTERDAM rose marginally, the CBS Tendency index up 0.5 at 121.9. KLM gained on the back of strong British Airways third quarter results: it rose Ft 1.30 to Ft 39.30 with foreign buying evident. ING, the insurer, fell Ft 0.60 to Ft 51.10

after news that it was looking at cooperation with the Belgian Banque Bruxelles Lambert rather than stakeholding.

The trading group, Borsum, put on Ft 4.70, or 8 per cent to Ft 62.70 after indicating a 70 per cent fall in 1981 net profits on Monday. News that the group had been released from a distribution contract for the Benelux and that a new interim management was in place boosted the shares.

KBB put on Ft 4.00, or 5.7 per cent, to Ft 73.00. Investors took a positive view on the reorganisation of its Hema division.

ZURICH ended an active session ahead on easier short-term interest rates and a firmer Swiss bond market. The all-share SPI index rose 6.7 to 1,127.1. The average yield on Swiss government bonds has fallen to 6.01 per cent from 6.20 per cent at the end of January, but dealers said, apart from some selling in MtL savings shares which lost L38 to L2.85, the Comit index fell 0.74 to 54.21 in turnover estimated at less than Monday's L7.9m.

Among leading industrials, Fiat fell L5 to L4.95 while Olivetti rose L74 or 2.7 per cent to L2,816 in technical trading.

Burgo, the paper stock, continued to weaken, losing 1.9 per cent to L175 to L8.715.

BRUSSELS saw the electronics stock Barco rise FF30 to FF1,136 in unusually heavy volume of 30,800 shares. The Bel-30 index closed down 0.80 at 1,163.95.

HELSINKI's Hex index hit a new closing high for the year, closing 7.10 higher at 895.07 after two major companies reported 1991 results, and interest rates fell.

Kone reported profits down, but in line with expectations, and its free-B shares rose FIM2 to FIM4.35. Enso closed unchanged; it was hit by exchange rates and reported a higher than expected loss of FIM50m.

VIENNA rose to its highest level in 1992 in a lively session. The 18-share ATX index added 7.22 to 1,024.15. ISTANBUL fell to its lowest level since the end of December, the index closing off 275.83, or 6.2 per cent, to 4,182.96. The fall was attributed to heavy selling due to a tight lira, as well as a delay in the preparation of a government plan to develop the capital markets.

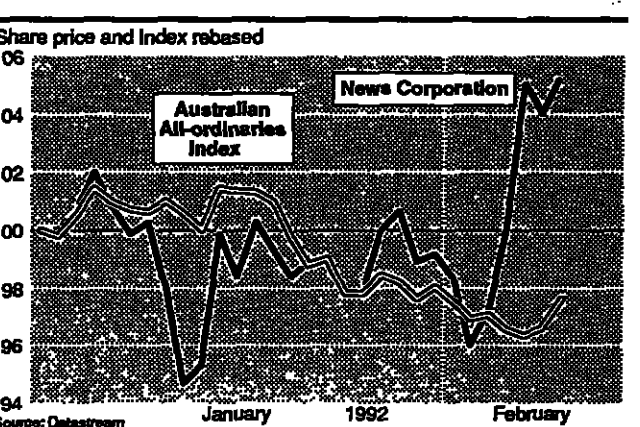
Hong Kong loses ground on profit-taking

WITH Tokyo closed, sentiment around the Pacific Rim was mixed yesterday, with profit-taking and consolidation leading a number of the markets off recent highs.

HONG KONG lost ground on profit taking: the Hang Seng index closed 59.04 down at 4,674.52 in turnover of HK\$2.4bn (HK\$2.67bn). Strong activity in the covered warrant market continued: on Monday it accounted for some 20 per cent of market turnover.

Two stocks which bucked the downward trend were Hong Kong & China Gas and Swire Pacific, both gaining 20 cents to HK\$23.50 and HK\$25.50 respectively. The property sector declined: Cheung Kong was down 40 cents at HK\$21.30.

AUSTRALIA reversed recent losses, with the All Ordinaries index putting on 20.6 or 1.3 per cent to 1,615.5. Turnover was A\$941m (A\$945m). News Corp. expected to announce good interim profits tomorrow, rose 18 cents to A\$15.78. Analysts are forecasting half-year profits to December of between A\$220m and A\$250m following a reduction in the group's interest bill and improved operating costs.



There was strong interest in the mining sector, with Western Mining up 27 cents to A\$4.89 on rumours of stake-building in the company. BHP advanced 20 cents to A\$13.32.

NEW ZEALAND firmed, with the NZSE-40 index moving ahead 9.85 to 1,457.92 in turnover of some NZ\$26m. Telecom put on 6 cents to NZ\$3.26 but Fletcher Challenge shed 2 cents to NZ\$3.42.

TAIWAN fell for the fourth consecutive day, the weighted index ending 133.51 or 2.5 per cent lower at 5,072.04 in turnover of NT\$7.4bn. All sectors were affected, with investors concerned at reports that the government might increase the capital gains tax on property.

SINGAPORE slipped back on profit-taking as investors turned their attention to Malaysia. The Straits Times Industrial index shed 2.50 to 1,523.92 in volume of 56.4m shares (69.1m). The hotel and property sector saw most gains.

KUALA LUMPUR rose in late trading, the composite index closing 1.10 up at 604.45. Volume declined to 91.6m shares from 95m. Resorts World dipped 20 cents to M\$11.30 and Malaysian International Shipping shed 15 cents to M\$9.00. Kedah Cement was the most actively traded stock and rose 15 cents to M\$2.90.

MANILA fell in quiet trading, although brokers said the market could move ahead again following the International Monetary Fund's approval of the government's economic programme. The composite index was off 21.74 at 1,212.79.

SEOUL retreated sharply on profit-taking. The composite index lost 12.86 to 674.32, the first time below 680 for two weeks. Analysts said concern that small companies were facing financial problems was driving the market down.

JAKARTA was easier on profit-taking and a feeling that the time had come to consolidate. The Jardine Fleming index slipped 1.03 to 83.94. Banks were actively traded.

BANGKOK was boosted by activity in property shares, trading in Bangkok Land and Krida Mahanokorn accounting for some 40 per cent of the turnover. The SET index climbed 6.55 to 786.91.

Share price and Index rebound

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FT LAW REPORTS

No damages for late pay-out

ITALIA EXPRESS
Queen's Bench Division (Commercial Court): Mr Justice Hirst February 6 1992

AN ASSURED under a fixed-value marine insurance policy is entitled to recover only up to that value for loss of the vessel; and where payment is delayed he is entitled to interest, but cannot claim unliquidated damages for loss of income or increase in capital value which would have been earned by a replacement vessel, or for hardship, inconvenience and mental distress.

Mr Justice Hirst so held when dismissing a claim by the assured, Mr Apostolos Kostas, against the underwriters for delayed payment of an insurance claim by Lloyd's underwriters, represented by the defendant, Mr Trevor Rex Mountain, in respect of the sinking of the Italia Express.

It was held that claims for expenses arising out of the sinking were covered by the policy.

HIS LORDSHIP said that Mr Ventouris claimed against the underwriters under a War Risks insurance policy in respect of Italia Express.

The vessel had been given to Mr Ventouris in January 1988. Two months later, on March 24 1988, she was sunk by explosion at Drapeta, outside Piraeus harbour.

Four days after the sinking, Mr Ventouris served notice of abandonment on the underwriters, and demanded \$4m for total loss.

The underwriters did not dispute that the loss fell within one of the insured perils. Their sole defence was that the loss was caused by Mr Ventouris's wilful misconduct.

On the 37th day of the trial the underwriters withdrew those allegations, and submitted to judgment on liability. The very serious charges against Mr Ventouris thus disappeared and he was vindicated. He left the court without a stain on his character. Judgment was entered in his favour on December 19 1991 in the sum of \$4m, which was the insured value of the vessel, and \$1.61m interest was awarded.

The present issues related to damages claimed by Mr Ventouris.

First, he claimed special or general damages for (a) loss of income which would have been earned by a replacement vessel; (b) loss of increase in capital value of a replacement vessel; and (c) damages for hardship, inconvenience and mental distress.

The underwriters contended that such damages were irrecoverable in principle, and that those claimed under (c) were in any event not sustainable.

It was common ground that a contract of insurance was an agreement by the underwriter to hold the insured harmless against loss or damage from the insured peril, and that the remedy for breach was in damages, not debt (*The Fanti* [1991] 2 AC 1).

Mr Tomlinson for Mr Ventouris submitted that the underwriters' primary obligation was to indemnify him to hold him harmless against the insured peril, and that the remedy for breach was in damages, not debt (*The Fanti* [1991] 2 AC 1).

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action arose when the loss occurred.

In *India v Lips Maritime* [1980] AC 395 Lord Brandon said: "There is no such thing as a cause of action in damages for late payment of damages."

Section 67 of the Act together with section 68 in total loss cases, was conclusively definitive of the extent of the insurer's liability for loss of the vessel under a valued policy.

That in itself was sufficient to defeat Mr Tomlinson's argument in marine insurance cases.

While *Fanti* was a liability insurance case, Lord Goff's statement of the law was of general application, extending to property insurance cases as well.

It was common ground that a contract of insurance was an agreement by the underwriter to hold the insured harmless against loss or damage from the insured peril, and that the remedy for breach was in damages, not debt (*The Fanti* [1991] 2 AC 1).

Mr Tomlinson for Mr Ventouris submitted that the underwriters' primary obligation was to indemnify him to hold him harmless against the insured peril, and that the remedy for breach was in damages, not debt (*The Fanti* [1991] 2 AC 1).

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